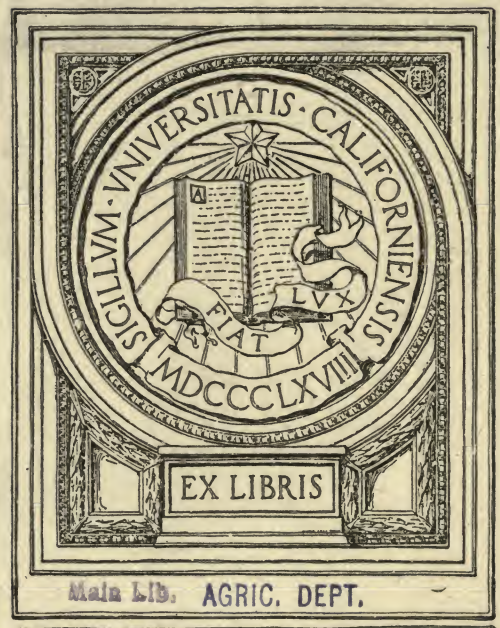
MARKETS AND RURAL ECONOMICS

T. J. BROOKS



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MARKETS
and
Rural Economics

Science of Commerce and Distribution

An Investigation of Agricultural Production and the Economics of Distribution; Cooperation in Marketing; Rural Credits; Agencies of Impending Change; Present Conditions and Tendencies; Future Possibilities and Opportunities.

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in the
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By T. J. BROOKS

Dedication
To the Youths of The United States
In Whose Keeping
Rests the Destiny of the Republic
This Volume
Is
Dedicated

PREFACE

It matters not what vocation we may follow, each of us is vitally concerned, both in a material and social way, in the subject matter of this work. By far the greater activities of mankind are exerted in the production, distribution and consumption of the material things of life. It is a part of the task of civilization to so conduct these activities as to insure the greatest degree of efficiency.

Without sufficient production life cannot exist; without proper distribution civilization must halt; without the application of the principles of economics to both, wanton waste must result; without an adequate system of markets and finance neither production nor distribution can be economically performed. The neglect of our institutions of learning to teach these subjects to those who compose the masses, who produce and consume, has resulted in our wasteful methods of distribution. It is necessary that these subjects be taught to those who are to be the agricultural producers, and to those who are to be the urban consumers of the future, to properly equip the rising generation for the duties of to-day and make easier the progress of the future.

It has been the purpose in these pages to give a work suitable for the class room, reference library and for private study.

Sincerely yours,

T. J. Brooks,

A. and M. College, Mississippi.

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CHAPTER I

General View

IN beginning the study of a subject it is well to get acquainted with the terms used and the purpose to be served by the knowledge sought.

There are numberless definitions of education. To be educated is to be equipped for life's work. The better the equipment the better the education. Education has no iron-clad metes and bounds. We differ only in degree, as none ever reach the limit of complete knowledge in the various realms of investigation. I would say that education is such a qualification as will enable one to accomplish the most for one's self and be of the greatest possible benefit to mankind. It is composed of knowledge, discipline and culture, and is obtained by judiciously developing the forces and capacities with which one is endowed.

The degree of success achieved is determined by the relationship between the individual and his environment. The value of any branch of knowledge is measured by its relation to human needs. The relative value of a given course of study to the one pursuing it is solely a question of the powers and aptitudes of the student. The relative value of a science or an art to society is determined by the needs of society and the relative utility of the science

or art. There is such a thing as knowledge being possessed when there is no opportunity for its use. And an opportunity to one is not necessarily an opportunity to another, because of a difference in the relationship of the individuals to their surroundings.

To classify education as intellectual, moral and physical, the subject matter of this work would come under the head of intellectual. The basis of all progress is intellect. The purpose of knowledge is served when applied; and the purpose in studying Markets, the Science of Commerce and the Economics of Distribution, is to enable society to profit by the application of the knowledge secured.

Science is classified knowledge. Every branch of study has its science. Classified error never makes a science. Knowledge capable of being classified becomes a science, and skill in utilizing the knowledge becomes an art. Surely there is knowledge of markets, commerce and economics sufficient to justify a course covering these subjects.

A market is a place of exchange; marketing is the transaction itself. Buying and selling is marketing, and constitutes the commercial business of the world. Without it there would be no industries in the modern sense, and business would lapse back to that of the savage.

Price is the commercial value when sold; or the amount asked before sold; or the quotation.

Value is human estimation measured in units of account. It may be based on sale value, utility value, or keepsake value.

Commerce is exchange or interchange of property, or title to same, between individuals or nations. It is carried on by money, barter, or balancing accounts.

Prosperity means advance or gain in anything

desirable. It implies net gain, a surplus production, or profit.

Equity is the giving to each according to his due. To establish economic justice is the most difficult of social problems. As judgments and consciences differ, so do men differ as to what is due to each, or what constitutes a just recompense. Conscience is too oft warped by selfishness and disregard for others to be trusted far when self-interest is at stake. The selfish use of power has brought the world's revolutions. Majorities have fought the tyranny of minorities and minorities have fought the tyranny of majorities. Popular conceptions of equity are reflected in the laws of nations and the condition of the people. Here is the task of statesmanship, and the call for popular statesmanship is world-wide.

It is estimated that twenty billion people have been in this world, and one and a half billion are here now. We are particularly interested in the 95 million who reside in the United States of America, and in certain questions concerning their welfare.

There has always been, in every age of the world, the worker and the shirker, the producer and the parasite. One of the ends of government is to prevent the increase of parasitism and to destroy it as nearly as possible. The nation that encourages parasitism, and becomes subject to the will and authority of parasites, is inviting its own destruction. One of the duties of society is to obviate waste in production and distribution. This is not so much a government task as it is an industrial and commercial task. Under this head come Markets, Agricultural Economics, Commerce and Distribution. All the energies and powers of mankind are needed to be applied effectively and not wastefully. The destiny of the human

race for all the ages to come is more in the keeping of the people of the United States of America than of any other nation in the world. For this reason, viewed as a world citizen, the individual responsibility of the citizen of this country is greater than that of the citizens of any other country, and his privileges and opportunities are correspondingly greater. The fate of this experiment in the Republican form of Democracy has more to do with the future history of the race than the fate of any other sovereignty of the earth. There are subjects needed to be understood not taught in our institutions of learning. There are problems to solve that the big political parties are not attempting to solve. There are things for the farmer to do which do not concern production. There are issues to face with which the average citizen is not familiar. To aid in the work needed to be done in preparing for these duties and opportunities is the object of this volume.

Lesson I

Give a definition of Education.

Is one's education ever completed?

Of what is it composed, how obtained, and what is its purpose?

How would you judge the value of a branch of knowledge?

What would you designate as included in the words "human needs"?

How would you judge relative utility?

To classify education as intellectual, moral and physical, under which head would you place the subject we are studying?

What is the moving cause of all progress and the purpose of knowledge?

What is the purpose of acquiring knowledge of the Economics of Distribution?

Define Market.

Define Price.

Define Value.

Define Commerce.

Define Prosperity.

Define Equity.

Define Production.

Define Distribution.

Distinguish between Equity, Economy and Frugality.

Industrially speaking, what two general classes have always been in the world?

Whose duty is it to avoid waste?

What people do you believe have the destiny of the world in their keeping more than any other? Why?

Do you take any pride in the fact that you can help determine the course of history?

CHAPTER II

Commerce:

Its Influence on The Rise and Fall of Nations

Master of Human Destiny; Kingdom, Empires and Republics Made and Unmade by the Shifting Currents of Trade; Control of Commerce the Key to the Future.

Most of the wars of history have been struggles for commercial supremacy. Advantage or disadvantage in trade has determined the fate of nations in all ages. Read the history of the world and whenever you find a rich and powerful nation, you will also find that its opulence came, not only from production, but either from extorting tribute from conquered peoples, or through commerce—generally both. Give to any country the exclusive control of the trade between the temperate and tropical zones, and it will soon tower above all other countries in point of wealth, thrift and power, notwithstanding it appears that Goldsmith has truly sung,

"Where wealth and freedom reign, contentment fails,
And honor sinks where commerce long prevails."

In worldly matters, self-interest controls the affairs of men, and merchants of any kind generally charge for their services all that the sucessful operation of their business will permit. This being so, deceit and fraud soon creep in to fill out deficits in corporate revenue and keep up the profit column in the ledger of trade. Commerce has builded civilizations and its abuse has wrought their ruin. Let us notice a few examples.

In the eastern hemisphere those who have carried on the trade between Europe and India, have been the great commercial magnates of the earth. In ancient times, the Phœnicians possessed it for two thousand years, and it made them the great wealth kings of the East. But their very wealth and greatness excited the cupidity of others, and in turn, Assyria, Babylon, Persia, Egypt, Greece and Rome conquered and possessed their lands. But, being wholly a commercial people, they cared little who conducted their political affairs or collected and expended the taxes they could so easily pay. To the Phœnicians the Mediterranean served merely as a roadway over which they went to seek fortune and honor. They were bold seamen and penetrated to the most distant coasts, from the North sea to the Indian oceans, and it is thought by some, traded with Oceanica and even South America and Mexico, to whose Aztec civilization their records seem to allude.

Phœnicia included what at present is the Holy Land, or Palestine, which is preeminently a land of hills and valleys, rough and jagged, one of the most broken regions on earth that is cultivated, a kind of exploded desert, and yet this country possessed the famous cities of Tyre and Sidon, whose splendor and population far exceeded any other cities of the

Levant. Their commerce extended East to China, and westward to all the lands of Europe and included central and western Africa.

Tyre was founded by the Sidonians at a period so remote that the date lies hidden behind the thick mist of centuries, but in the time of Ezekiel and Isaiah, she was "the stronghold of the sea," and "a glowing picture of splendor and maritime power."

Sidon was a sister to Tyre, situated only twenty miles to the North, whose power was greatest about 15 centuries before Christ, during a period when Egypt held supremacy over Phœnicia. It fell into the hands of the Persians, who destroyed it, about five centuries before Christ. Tyre was destroyed by Alexander the Great, 332 B. C.; she had withstood the assaults of Shalmaneser and Nebuchadnezzar with their million men, and against her fortifications the Assyrians thundered in vain. But her fall was complete. Today the relics of her splendor are beneath the restless sea. Back from the shore are still seen some of the rock-hewn tombs of those who once knew the mistress of the sea in her magnificence.

The history of Tyre and Sidon with small difference is the history of other cities of Phœnicia, such as Sparta, Antioch, Gabal, Beyrout, Dor, Accho, and later Cæsarea. Why this breaking down of the Phœnician strongholds? Because of the shifting of the current of commerce. The conquests of Nebuchadnezzar, the founder of Babylon, were to obtain possession of this commerce. He carried the traffic to Babylon, and up the Euphrates across Syria and Asia Minor, and gave the Western end of traffic to the Lydians, and Ionian Greeks. This awakened the Greeks from their lethargy of barbarism and

gave them a grand start upon their career of civilization.

The power of the Assyrian empire was very largely based upon the possession of the eastern end of this commerce; the conquest along the Mediterranean having broken up the old line of trade by way of the Red Sea.

Carthage might be called an offspring of Tyre. It possessed a goodly part of the traffic between Africa, Asia and Western Europe. This city disputed in arms the mastery of the known world.

She was the ancient rival of Rome, with which war prevailed intermittently for nearly seventy-five years. It is related of Cato, the Wise, that upon a visit to Carthage, observing the haughty and intolerant disposition of the Carthaginians toward the people of his own country, he returned to his place in the Senate of Rome, and ever afterwards closed his speeches, upon no matter what subject, with the statement, "Carthage must be destroyed." This was because Cato knew that if Rome did not destroy Carthage, Carthage would destroy Rome. Rome finally destroyed Carthage in the last Punic war, 146 B. C., under the generalship of Scipio's adopted son, Amilianus Africanus, almost as distinguished a general as the conqueror of Hannibal.

It was the Roman policy to divide and conquer, but also to leave to the vanquished their own customs and laws, and to exact merely tribute and supremacy. So it mattered little where the great marts were located, Rome was sure of a division of the profits. Away back one thousand years before the Christian era, when Egypt, Assyria, Chaldæa, Babylon, and the Hebrews were the governmental powers of the earth, the Jews enjoyed the greater portion of this enormous

trade. The Israelites are noted for their shrewdness as merchants and money manipulators. It so enriched them that, it is said, "silver was in Jerusalem as stones." The development of this commerce was the sphere in which was displayed much of the proverbial wisdom of King Solomon, and it constituted the chief glory of his reign. But when Solomon's reign was ended by his death, there was no other man who could so magnetize the world as had he, so his kingdom divided and—

"The Assyrian came down like a wolf on the fold,
And his cohorts were gleaming in purple and gold."

Thus Israel was led captive. Nineveh was the Assyrian capital—though many historians say Damascus, "The eye of the East," was formerly the capital of all Syria. Here they gathered the spoils of many countries. Their innumerable castles and palaces have been the theme of poets and searchfields of antiquarians, rivalling in interest, Memphis, Thebes, Luxor and Karnak of Egypt.

The Persian monarchy under Cyrus overthrew Syria, and under this king Babylon fell to rise no more.

Time was when the Arabians shared with the Phœnicians the carrying trade of the then known world. Later, when Venice was at the height of its magnificence and glory, when Portugal was no petty province, but a nation of hardy and adventurous people; when the Dutch, with their quiet but persistent enterprise, were claiming at least their share of the world's prosperity, the Arabs succeeded in controlling the trade between Europe and India. The commercial ability displayed by these people was equal to their invincibility, and the vast returns made

to their merchant princes were expended as munificently as even in the days when the ships of the world found their entry port in Venice. In the time of their greatest prosperity, the most beautiful and extravagant palaces were erected.

A few individuals obtained a charter for an East India Trading Company from the Dutch Government, in the year 1602, with "the exclusive right to commerce beyond the cape of Good Hope, on the one side, and beyond the straits of Magellan on the other."

There was also a Dutch West India Company, chartered in 1621, which was almost as great a monopoly. Its patent prohibited any person from sailing to the coast of Africa or America except in the company's service. It exercised all governmental powers over the colonies it established. One clause in its charter was that "they must advance peopling of those fruitful and unsettled parts." It established a colony on the shores of the Hudson river in 1622. In 1664, during the war between England and Holland, the English took possession of these regions. It must be remembered that the Dutch republic, lately freed from Spain, was during the 17th century the foremost maritime nation on the globe. Its trading stations were scattered along the islands and coasts of Asia, and its ships penetrated the remotest seas. The Hudson Bay Company was chartered by Charles II in 1670, and was a factor in commerce down to our time.

It was commercial jealousy that caused the English parliament to pass acts offensive to the colonies. Over greed for commercial domination brought on the revolution and lost England her Western Empire.

But the lesson she learned kept for Britain her other foreign possessions.

Even now the need for markets dictates terms of peace and war.

The control of the sea passed completely into the hands of England after the battle of Trafalgar. Then followed Napoleon's continental blockade, and the Emperor's decrees and British orders in council between them made neutral commerce hazardous.

Owing to the English supremacy at sea, Napoleon strove to make France economically independent. This was the origin of the beet-sugar industry in France, which reached in 1910 a million tons.

What has made the great cities of the world? What is it that keeps the pulsebeat and heartthrob of industry going? What is the power behind the throne in the world's affairs?

Two words tell it—production and commerce.

The panorama of history follows its currents; power in the comity of nations is measured in the clearing-houses. The rise and fall, development and decay, triumph and defeat of nations and institutions crowd each other in rapid succession from the title page to finis of history's ponderous tome, rich with the spoils of time. Are we today building permanently?

Egypt thought she had secured permanency. Drunk with dominion she gloated in her supremacy, wasted and brutalized the lives of myriads of whip-lashed slaves to rear pyramids to the vanity of the Pharaohs; but the hundred gates of Thebes have crumbled and her tombs lost to the dust they were built to commemorate; and Egypt is the pawn of men whose progenitors wore skins, fought with clubs, and lived

in caves when the Ptolomies wore woven robes and world," "the cradle of learning." She built beauti-

So thought Greece, the "darling of the ancient bore glittering blades.

fully. The treasuries of nations gilded her domes and made her ruffled peninsulas an enchanted realm. The shores of the Bosphorus rang with the peans of Byzantium, a mart of power, and Athens the capital city was a wilderness of marble. Art, eloquence, philosophy, generalship, heroism, culture, literature and glory found in her a patron and sought her encircling arms. Was she not builded for all time to come? Yet, in solemn awe, we gaze upon the jumbled stoneheaps on the Athenian hills!

So thought Rome. She answered the "cosmic urge," founded, built, conquered, ruled—debauched and died. She took charge of the progress of the world, carried it forward to heights hitherto unknown—and tossed it into the sea. Rome is the tomb of the progress of a continent and the culminant civilization of four thousand years—the light of ages whose chiefs, scholars, and men of iron are yet the fount at which the panting mind may drink deeply. Mother of dead empires, whose broken thrones and temples shelter 'neath the cypress, the haunt of the owl and the bat! The dust of her sepulchres scattered long ago. Crumbled works of genius mark the graves of a world—a mirage of ruin.

Feudalism built castles all over Europe to stand the wreck of time, and from which the world was to be governed. The feudal lords built these castles and held sycophant monarchs as proteges of their bureaucratic power, planned for a thousand years, ruled by force, gloated in their pitiless pride over the vanquished, and reveled in the wealth and luxu-

ries of spoiliation, till young democracy brandished the sword of revolt and defiance, and the earth trembled with the march of militant feet. Some of these castles stand yet, stern and quiet against the sky. No echoes of the chieftain's footfall sound in the big halls that once resounded with merriment and acclaims, when festivities crowded them with those in power. Grass grows between the stones and bats fly at night where royalty once reveled and planned to tax and plunder, as I have witnessed.

Lack of proper conservation of resources and just administration of government will bring the same results now they brought in the days of old. To be unmindful of the law of recompense is to defy fate and be cast into the junk-heap. "The ruins of America" may some time attest our folly and lack of statesmanship.

With the application of machinery to modern industry came a rapid evolution in the methods of commerce. The classification and segregation of industrial pursuits necessitated an increase of exchange even with the same amount produced and consumed. This was due to the fact that no one produced all he needed to consume but produced more of something than he consumed. For farmers to be prosperous under the old regime it was only necessary that they produce abundant harvests of the ordinary articles of consumption. The surplus sold was mostly bartered, and little net profit in money was necessary. Clothes were made at home, and food delicacies, elaborate home equipments, extensive farm machinery were not in vogue. The need for a money crop to market in order to purchase the products of factories and of other lands had not been developed. But, with the changes wrought by the rapid

increase in the use of machinery in every department of industry, commerce expanded as never before in the history of the world. This brought a new phase to the business of farming: Production was not all the battle, exchanging at a net profit was the new task. Without net profits there could be no accumulation and material progress.

One producer of the useful things of life is not relatively of more value than another. Often men of ability work at things that are of no economic value to society and are in a sense useless. If life had no purpose beyond personal gratification social questions would not be worth discussing.

It is one thing to see the "lost motion" in a system of business and quite another task to eliminate the useless friction. The economic pressure now manifesting itself so sensibly is demanding of society a readjustment of some of the machinery of distribution.

Lesson II

What can you say as to the importance of commerce?

What can you say of its influence in history?

In Ancient times?

During the Middle Ages?

In Modern times?

Name some wars that were brought on by rivalry of nations struggling for commercial supremacy.

In Asia.

In Africa.

In Europe.

In America.

Give some special features of the modern development of commerce.

What essential difference in requirements of prosperous farming now and formerly?

To what is due the remarkable changes in methods of distribution?

What have you to say of the relative importance of inventors to other useful workers?

Are the smartest people always the most useful?

Are the best educated people always the most useful?

Does it make any difference whether or not one is of any use to his fellowmen?

What is the purpose of life beyond individual gratification?

Do you see any "lost motion" in present methods of distribution?

If so, where?

Do you see any efforts to remedy it? If so, give instances.

CHAPTER III

Abstract Brief of Conditions

As a basis for a comprehensive understanding of our subject it is necessary to get a reliable statement of conditions as they exist. Taking as authority Statistical Abstract Number Thirty-four, issued by the Bureau of Statistics, Washington, D. C., we find that according to the census of 1910 we had in continental United States 91,972,266 inhabitants; designated as urban 42,623,383; as rural 49,348,883. Population over ten years of age engaged in gainful occupation, 51,060,500. These are made up of workers designated under five headings:

Manufacturing and Mechanical....29,073,233
Agricultural 10,381,765
Domestic and personal service..... 5,580,000
Trade and transportation 4,766,964
Professional service 1,258,538

Of the total number of inhabitants of 47,332,122 were males and 44,640,144 were females. The native white of native parentage were 49,488,441; native white of foreign parentage, 18,900,663; foreign white, 13,343,583; Negroes, 9,828,294; Indians, 265,683; Chinese, 70,944; Japanese, 71,722; all others, 2,936.

These and their descendants are the people we have to deal with and who constitute this Republic.

It depends upon the kind of people that are involved as to what may be expected to be accomplished.

At the beginning of the government 90 per cent. of both wealth and population was rural. By 1860, at the beginning of the Civil War, the farmers owned only 50 per cent. of the total wealth. By 1900 they owned scarcely more than 25 per cent. of the total wealth. This decrease in the percentage of the total wealth owned by the farmer was not due so much to his losing his ground as a property owner as to the development of other industries in a greater ratio than at any other period in the history of the world. Manufacturing, mining, railroads, and commercial wealth increased so enormously as to forge ahead of agriculture with astonishing rapidity.

In 1900 the total value of all farm property was $20,439,901,164; in 1910 it had reached $40,991,000,090. This sudden increase in the value of farm property was not due to increase in intrinsic wealth so much as to increment due to inflation of land values. The productive power had not increased at the same ratio nor had farming paid as large per cent. on investment as the other leading vocations.

From 1890 to 1900 the farmers of the United States produced, in round numbers, $40,000,000,000 worth of farm products. There was an average of 9,000,000 engaged in agriculture. They had on an average of $18,250,000,000 worth of farm property in operation each year. And their net gain for these ten years, was $132,000,000. This is $1.58 per year, or $15.80 for ten years' work for each man engaged.

Present estimate of the total wealth of the country is approximately $140,000,000,000. Of this amount $40,000,000,000 is agricultural; $14,000,000,000 of this belongs to other than farmers. The total

value of all property in 1904 was $103,104,211,917. From these figures it is plain that farm property had responded to inflation more rapidly during the first decade of the century than had other property. However, we find from consulting the same source of statistics that the value of the products of manufactures increased 40 per cent. from 1904 to 1910, due mainly to increase of output, although the cost of material has increased at as great a percentage as the value of the products.

The Thirteenth United States Census shows a growth of 40 per cent. in the value of the products of manufactures in the United States between 1904 and 1909. The total in the former year was $14,793,903,000 and in the latter $20,672,052,000. In producing this amount the value of the materials used rose from $8,500,208,000 to $12,141,291,000, an increase of 43 per cent. This cost of materials does not include unused materials and supplies bought for either speculation or subsequent use. The value added by manufacture formed 41 per cent. of the total value in 1909, amounting to $8,530,761,000, representing the difference between the cost of the materials used and the value of the manufactured products. The miscellaneous expense amounted to $1,945,676,000 in 1909 and to $1,453,168,000 in 1904. This includes rent, taxes, and expenses not elsewhere classified.

The average number of wage earners employed during 1904 and 1909 was 5,468,383 and 6,615,046, respectively, and their wages totaled $2,610,445,000 and $3,427,038,000 in the same years. The number of salaried officials and clerks was 519,556 in 1904, and 790,267 in 1909, and their salaries amounted to $574,439,000 and $938,557,000, respectively.

The total number of manufacturing establishments in the United States, exclusive of the hand and building trades, the neighborhood industries, and those whose products were less than $500 per annum in value (except in the cases of factories just starting or idle during part of the year) was 268,491 in 1909, an increase of 52,311 over 1904. The capital invested rose from $12,675,581,000 in 1904 to $18,428,270,000 in 1909.

We see from these figures that the manufacturers had in 1909 $18,428,270,000 invested and turned out a product valued at $20,672,052,000. And the number of hands employed was 6,615,046—at a wage cost of $3,427,038,000.

The farmer had $40,000,000,000 invested, employed 12,500,000 hands and produced only $9,000,000,000 worth at farm valuation, in 1911, which was the largest crop and of greatest value of any ever produced to that date.

RAILROADS.—We had in 1911 in the United States 238,000 miles of railroads valued at $16,767,544,827.

These railroads employed 1,500,000 persons, who received annually $1,100,000,000.

They used 58,000 locomotives, 46,000 passenger cars, and 2,200,000 freight cars.

They carried 900,000,000 passengers a year, and 1,600,000,000 tons of freight.

Their operating revenue was $2,500,000,000.

Their operating expense was $1,800,000,000.

Their taxes were $84,000,000.

Poor's Railroad Manual, for the year 1910, shows that there were 237,867 miles of steam railroad in this country, that the gross receipts in 1909 were $2,513,212,763, and the net income was $1,018,-

014,837. They received for carrying 924,423,075 passengers the sum of $510,262,551, or 56 cents per passenger.

BANKS.—The finances of a country control every other business.

The total number of national banks in 1912 was 7,397, with capital paid in, $1,025,441,384.50; the circulating outstanding was $717,258,996, of which $31,947,510 was covered by lawful money of a like amount deposited with the treasurer of the United States.

There were in December, 1912, 26,000 banks of every kind in the United States, with an aggregate capital of $1,855,987,360, with deposits of $17,000,000,000, and resources aggregating $25,000,000,000.

In the last ten years the number of banks has increased 82 per cent., 87 per cent. in deposits, and 61 per cent. in capital.

Banking facilities have increased commensurate with the increased wealth. In 1900 there was one bank to every 5,560 inhabitants; now there is one to every 3,845.

The clearing houses of the country show an increase since 1900 of 90 per cent., having risen from $85,546,000,000 to $158,556,000,000.

According to the report of the Secretary of the Treasury, November, 1913, our money and currency stood as follows:

Gold coin, $614,478,201; standard silver dollars, $74,012,152; of subsidiary silver, $160,466,188; of gold certificates, ?480,079,731; of Treasury notes, of 1890, $2,583,874; of United States notes or greenbacks, $341,401,413; and of national bank notes, $722,615,240; footing up a total of $3,417,109,678.

A Comparison for One Year—1907

The wealth of the United States was increased in the year 1907, $4,400,000,000.

Who got the increase?

The manufacturers received	$2,672,000,000
The railroad companies received	327,000,000
The national bankers received	127,000,000
The savings bankers received	238,000,000
State banks received	490,000,000
The life insurance companies received	333,000,000
Accident insurance companies received	40,000,000
Marine insurance companies received	40,000,000
The express companies, news companies, Pullman Palace Car Company, and other trusts received	156,000,000
Total	$4,400,000,000

The farmers received no profits, although they sold a crop in 1907 for $7,420,000,000.

The brawn and brain of 92 million people in 1911 added $4,800,000,000 to our national wealth. According to the sworn statements of the 270,000 corporations, their net profits were, for the year 1911, $3,300,000,000. The cost of running the national, state, county, municipal, etc., $6,800,000,000. When at $3,500,000,000. Total tribute to corporations and running expenses of the government, national, state, county, municipal, etc., 6,800,000,000. When the toll we pay to the various governments and corporations is $5,800,000,000, and the annual increase in national wealth is only $4,800,000,000, it is plain that we are drawing on our capital stock $2,000,000,000 every year.

The public indebtedness of the United States, national, state, county, municipal, and district, is equal

to the entire volume of money in the nation and costs in interest some $120,000,000 annually. This added to the private debts, which cost a higher rate of interest, and the debt load of the people is appalling.

The entire area of the United States is approximately 2,000,000,000 acres. There are 6,400,000 farms, or 878,800,000 acres are in farms; 478,500,000 acres are improved. The farm area represents about 46 per cent. of the total land area, and the improved land represents more than half the total area in farms. Improved land represents about one-fourth the total land area of the country. On these acres are produced 22,000,000 carloads of products a year, equivalent to a train of cars reaching six times around the earth.

The value of the 1910 crop, at the average price received by the farmers, amounted to nearly $9,000,000,000. Presuming that the farmers consume $3,000,000,000 of it (about one-third of our population live on the farm), the amount sold by the farmer is $6,000,000,000. For this the consumer paid $13,000,000,000, making a difference of $7,000,000,000 for the cost of getting it from the farmer to the consumer.

There is a necessary expense in distribution that cannot be avoided, but there is entirely too much waste between the producer and consumer. At least $2,000,000,000 could be saved through cooperative efforts on the part of the farmers and consumers.

To divide this $2,000,000,000 equally between the farmer and consumer would be $1,000,000,000 to the farmers, which would be $44.44 for each man, woman and child living on the farms of this country.

And to divide the $1,000,000,000 among the consumers would be $16.66 per capita for the consumers of the United States.

The value of our exports for 1911 was $2,049,320,199
The value of our imports for 1911 1,527,226,105
The value of both exports and imports for 1911 3,576,546,304
The amount of exchanges of the clearing houses of the United States for 1910 ..... $168,986,664,000

With a population of 33,000,000, the South now has invested in business about $84,000,000 more than the whole United States could show in 1880. The value of the South's crops now exceeds the value of the crops of the whole country as late as 1890. The South's coal products in 1911 amounted to two and a half times the coal output of the whole country in 1890.

Notwithstanding these signs of fabulous wealth and evidences of prosperity, the pessimistic fact remains that *as land values and product values increase the number of farms relatively decreases and the proportion of tenants grows greater!* There is a grave economic problem involved in this anomalous and paradoxical situation.

In the states of Kentucky, Tennessee, Mississippi, Louisiana, Texas, Arkansas, and Oklahoma tenant farms have increased from 35 to 51 per cent. during the last thirty years! In Mississippi and Georgia two-thirds of the farms are tilled by those who have no share in their ownership. In South Carolina 63 per cent. of the farms are operated by tenants.

The states with the largest average annual income

per farm worker are decreasing in farm population. The average farm wages in the upper Mississippi valley, where wages are highest, is less than thirty dollars a month. At the present price of farms in the most productive states of Illinois, Indiana and Iowa, if the wage worker saved every dollar it would take him from thirty-five to forty-five years to earn enough to own an average farm! Half the number of those holding the plow-handles of the United States are homeless!

Taking the country as a whole, more than one-half of the families have an income of less than $600 a year, and more than 4,000,000 families have an income of less than $400 a year.

If these facts do not concern us nothing human is worth while.

Lesson III

What percentage of the inhabitants that have been in the world are now living?

What percentage of the people now living are in the United States?

How many over ten years of age are doing something useful?

Give the population as per vocations.

Has the farmer held his own as a property owner with those of other callings?

To what do you attribute the enormous increase in farm values during the first decade of the century?

Did this increase indicate greater net profits on amount invested?

How do farm product values compare with manufactured product values on a basis of wealth invested and hands employed?

How do farm profits compare with railroad corporation profits on the same basis?

How does farming compare with banking under the same test?

What becomes of the annual net increase in wealth?

What is our volume of money?

What is the amount of public indebtedness of the country?

What are the annual expenses of the governments, national, state, county and municipal?

What percentage of our national area is cultivated?

How much waste is estimated to take place between the farmer and the consumer?

Does the annual output of the farms of the United States indicate laziness or thriftlessness of the farmers?

What effect has the increase of farm and farm product values had on tenant farming?

Give some statistics on tenantry.

Give your version of the cause of this tendency as indicated by the statistics.

What can you say of the opportunity of farm laborers to become farm owners?

What can you say of the average incomes of half the families of the country?

Why is it worth your while to be concerned about these things?

CHAPTER IV

Agencies Controlling Price

The Law of Price.—One of just three things, or a combination of them, controls the price of absolutely everything bought and sold:

1. Supply and demand.
2. Trust.
3. Speculation.

When not interfered with by artificial means, supply and demand will regulate prices (not forgetting that the supply and demand of money act conjointly with the supply and demand of that which money buys). But very few articles of modern commerce are not interfered with by artificial means.

Articles perishable in quality and limited in use—truck gardening products, strawberries, tomatoes, etc.—are subject to the fluctuations of spasmodic demands. But articles non-perishable in quality and general in use, such as cotton, grain, meats, machinery, coal, etc., are not subject to violent fluctuations in the market if controlled by the law of supply and demand or regulated by a trust. Only speculation operates to change suddenly the price for which there is a constant demand and a general supply.

So that when commodities of this kind vary in price, so as to bring about spasmodic changes one may know that speculation is setting the price. The

law of supply and demand does not operate that way. Nor does a trust allow its output to vary in value by the "ticker's" points manipulated by "riggers" on change. One never hears of anyone buying futures on coal, oil, beef, steel, or any of the great commodities handled by trusts. The supply is regulated by demand at a fixed scale of price, arbitrarily set, and the article furnished to consumers only as demand meets the price. It does not matter how many new oil wells are developed, it does not tumble the price of oil below the cost of production—the trust sees after the supply and price. Go through the list of trust-handled articles of commerce, and the underlying business principle is the same—regulate the supply to demand in accordance with the law of markets.

The same law applies to a railroad system, the supply of the money volume, sugar, coffee, beef, iron, coal, oil, electricity, a patent, any commodity or service that the public demand and the available supply of which is limited.

The demand for the great staple products of the farm is constant the year round, and it is a violation of every law of business success and principle of economy to rush these supplies on the market regardless of the needs of the consumers. There is a science of commerce, the same as of chemistry, and it behooves the farmer, as a feeder of the streams of commerce, to understand the part he plays in the economy of business.

Trust managers understand the science of commerce and apply their knowledge. Knowledge is power, and commercial knowledge, applied by the few, and commercial stupidity of the masses, have left the masses the victims of the classes.

To illustrate by concrete examples: We have a great crop in the South which the farmers peddle out or auction off to the local bidders as soon as the crop is gathered. The more they make of it the less they get for it.

Is that the best way to sell a crop that is non-perishable and of universal use? Do manufacturers sell that way? Do mine owners sell their products that way? Do railroads sell their service by peddling their tickets or selling them at auction? Do banks loan money through street-hucksters? Are public offices let out to the lowest bidder? The very thought is so preposterous that to answer these questions would be childish. Then why does the farmer do this in direct violation of every principle of successful business? Should he continue thus to use his wealth to show how little he knows about rural economics? Is it not within the purview of rural economics to deal with this question, and help to solve one of the big business problems confronting us and demanding solution?

There is certainly no excuse whatever for the tillers of the soil not getting full measure of remuneration for their labor. When the change contemplated has been ushered in, there will be no more thought of returning to the old ways than we think now of going back to the reaping hook, the stage coach and the wooden plow. The opportunity presented is a test of the business intelligence of the man behind the plow.

Do you not know that it does not necessarily mean anything for a people to live in a rich country? Other things being equal, a people are prosperous in proportion to their industry and the fertility of the soil. But other things are hardly ever equal.

Let us consider an instance or two.

The Israelites were given the pick of Egypt, which was itself the garden spot of the world. But when Joseph died and other Pharaohs came to the throne that knew not Joseph, they enslaved the Israelites, reducing them to abject servitude. All but a bare existence was taken as tribute by the Egyptian monarchy. They were placed under task-masters and compelled to "make bricks without straw." Nothing was in life for them but servitude. Fertility of the soil and industry did not mean prosperity to them. Finally, before they could prosper, they had to exile themselves to a country, which, in comparison with the one they had left, was an exploded desert. And there they did prosper, till they excited the cupidity of the Babylonians, who came and transferred them to the valley of the Euphrates, to serve the Babylonians.

India is one of the richest countries in natural resources in all the East; and yet more people starve to death there, every year, than in any other country on the globe.

Ireland is one of the most fertile countries in all Europe, and yet, because of the failure of the Irish potato crop in the year 1846, 1,000,000 Irish people actually starved to death, and another million fled. With all their industry and natural resources they lived so close to the brink of starvation that the failure of a crop left the people helpless, and no matter what the rest of the world produced they could not purchase.

Take South America, practically an undeveloped continent of wealth, but a country that plays but little part in the international affairs of governments.

What do all these instances show?

In the case of the Israelites it was a case of oppression—they did not get justice. Government robbery would express it.

In the case of India, it was a case of government extortion linked with the ignorance and the superstition of its tropical people.

With Ireland it was a case of discrimination and landlord extortion.

In South America it is the people.

How is it with us here in the United States?

Take New England, the poorest part of our domain that pretends to be cultivated at all. They have poverty there. But in point of wealth per capital, they are ahead of the most fertile section of the whole country—the rich alluvial bottoms of the Mississippi valley, where they make a bale of cotton to the acre and other things in proportion.

Wherefor is this difference?

It is not because they have natural advantages in the sterile hills of the East.

It is nothing more nor less than a difference of management.

Production, transportation, wholesale jobbing and retail expenses, agencies of advertising and taxation expenses all enter the bill to the consumer. Legislation affects price by regulating the money supply, by taxation and tariff and immigration regulations. Standards of civilization have much to do with the wants of the people, and these wants determine the quality and amount of products consumed. The physical needs and wants of people of the tropics are different from the physical needs and wants of the people of the temperate zones. Even a greater difference exists when it comes to intellectual wants.

These are determined almost wholly by the degree of culture and refinement that is possessed.

Any article produced exclusively for sale and not for use by the producer is wholly dependent for a market on standards of civilization, and the power to consume. Human desire is always beyond the power to supply when it comes to articles of comfort, pleasure and property of permanent value. This insures constant employment so long as the power to purchase labor or its products is possessed by the masses. · Every dollar's worth of wealth or time wasted means so much denied the people which they might have.

Lesson IV

What are the agencies of distribution?

What are the agencies controlling price?

What proportion of the cost of distribution is consumed by transportation?

What proportion is consumed by merchandising?

What proportion is consumed by unavoidable waste?

How many kinds of merchandising? Name them.

Is the cost of production easily obtained?

Is the cost of distribution easily obtained?

Which are the easier to obtain, and why?

In determining price what steps would you follow to reach a correct conclusion?

Does living in a rich country and raising big crops *insure* prosperity?

Can you name exceptions to the rule?

What do you consider the cause for these exceptions?

What do you consider the greatest controlling factor in controlling price?

What is your opinion as to the influence of legisiation on price?

What determines the power to consume?

What is your opinion of the influence of the volume of money?

Of tariffs?

Of taxation?

Of physical needs and wants?

Of intellectual needs and wants?

How are standards of civilization determined?

What effect does the standard of civilization have on price?

CHAPTER V

Marketing by Manufacturers

Manufacturers sell by wholesale or through agencies which they operate at retail distributing points. The cost of manufacturing, the cost of marketing, the demand, and the competition to be met are carefully estimated by the manufacturer. It is not the amount of an article produced as compared to the annual demand that sets the price but the manner in which the market is fed by the supply that sets the market price. Two articles that can be readily substituted each for the other must mutually respond to quotations. The price of an article, let it be a luxury or a necessity, is a ruling factor in determining the amount consumed. The power of the human race to consume has never been measured. The character of the products consumed is to a large extent a question of custom. Often customs are changed by salesmen introducing new devices, patterns, methods or styles. Here the psychology of salesmanship plays a part in the economy of business. The personal equation is the strongest force in human affairs. The business world is subject to the power of personal contact. This is the secret of the policy of sending representatives direct to customers. A representa-

tive of a manufacturer or wholesaler to a retail dealer is called a drummer; if sent direct to the retail purchasers he is called an agent. The latter is the more expensive method, as so many more people have to be canvassed to handle a given volume of business, but often it puts things immediately on the market that would not be called for if kept for sale by retail dealers. The average cost of marketing from factories by consumers varies, but is constantly being lowered.

Just what part of this expense is unavoidable and what percentage could be saved and divided between the producer and consumer cannot be definitely stated, but we know that in the aggregate it would be a fabulous sum.

Many large concerns divide up the territory in which they operate and so systematize their sales department that each order secured, no matter by what method, must come through certain offices and be credited to the sales-managers of certain districts. A uniform price is set—regardless of the amount of the article on hand or the rate of sales per week, month or year—all agents must conform strictly to the price thus arbitrarily set on penalty of losing their positions for any variation. This abolishes competition among agents and also prevents retaliatory price-cutting by competitive firms. The only instances where this rule is violated is where a firm or corporation feels that it is strong enough to completely destroy competition by underselling competitors until they have to surrender the territory to the stronger company. These tactics have been roundly denounced by publicists and the public generally condemns them as unfair and unjustifiable, but laws have not been enacted to prevent it and some of the great-

est trusts of the country fought their way to mastery by this method.

The methods of the department stores are little different from those of the ordinary retail store except the strict organization into departments and the details incident to a larger business. The mail-order houses use printer's ink instead of drummers and sell either by wholesale or by retail exclusively. The psychology of salesmanship extends to the advertising method of finding customers. Correspondence has its art and is a part of the catalogue system of soliciting patrons. The foreign markets are even more sensitive to judicious soliciting of trade than home markets. Reciprocal trade agreements count but little for trade until exporters learn to cater to the idiosyncracies of the foreign customer. When once secured he is hard to turn to other quarters for supplies.

A line of merchants are adopting the plan of employing a few expert buyers who know the market, the demand, and the quality of things. These buyers command the very best prices from the factories because of the enormous bills they can furnish. This enables this line of merchants to either sell cheaper or make more than the little "one-horse" buyer. And all this means a process of elimination in the business world.

The marvelous development and expansion of modern commerce has done more to introduce and disseminate European civilization to the utmost parts of the earth than all other agencies combined. It has so interlinked the interests of nations and interwoven the interests of the citizens of every country with those of every other country that the danger of strife between nations becomes less and less as the

years go by, and the dream of universal peace is nearer realization than ever before since the twilight dawn of history.

Lesson V

What are the methods of marketing by the manufacturers?

What kind of knowledge does he seek to obtain? Why?

What does the manner of furnishing supply to demand have to do with price?

What about substitution in its effect on price?

What effect does the price have on consumption?

What have you to say of foreign trade methods? between the amount the people can consume and the amount they can exist upon?

What have you to say of the difference between the manufacturers' price and the consumer's price?

Is there room for improvement?

What are your suggestions?

State advantages and disadvantages of selling direct to consumers and to jobbers and wholesalers.

What are the methods of marketing by jobbers?

What are the methods of marketing by wholesalers?

What are the methods of selling by retailers?

Describe department-store methods.

Describe mail-order methods.

Why have codes for cost marks?

Give the advantages and disadvantages of selling through drummers; selling by catalogue; by correspondence.

What have you to say of foreign trade methods.

What can you say of the influence of modern commerce on the civilization of the world?

How has it carried progress to dark continents and mutualized the business relations of the people of all countries?

CHAPTER VI

Marketing by Corporations

Corporations, like individuals, sell products or service.

Manufacturers sell products.

Insurance companies sell "protection."

Banks hire out money.

Railroads sell service.

Corporation agencies sell service.

Shipping companies sell service.

It matters not whether it is products or service that is for sale, there is judicious feeding of the market at schedule rates. Corporations once competed with each other for trade, but that is a thing of the past except in sporadic instances. Competition is so far from being the life of trade that it is the death of the weaker in the contest.

A trust may be a monopoly or it may not be. A monopoly is such control of an output or service that it can crush competition; if a trust on production it can limit the output, if a trust on service it can limit the service till the prices are inflated.

A public monopoly is one owned and operated by the government. A private monopoly is one owned and controlled by private citizens—as individuals or as members of a corporation. A franchise monopoly is one granted by law—ostensibly for the consideration of certain service.

There is nothing confronting the statesmanship of the age that is more perplexing than to legislate properly on trusts and monopolies. Much legislating, both state and national, has been done, and little definitely settled or accomplished.

It is hardly possible for farmers to form a trust, for the reason that they cannot limit supply. There is no regulation of production from a central head as in manufacturing. Each family is an independent unit, free to produce whatsoever it elects. If a price is demanded above the consuming standard consumption is cut short and the new supply coming on will pile up on the reserve and doubly depress the price.

Is the immense wealth secured by trust magnates wasted because they have it?

No.

It is still in existence and kept busy making more. The families of rich men frequently squander to the limit, and show that they do not know what to do with what they have. But the great bulk of the wealth thus absorbed by trusts is very actively employed by owners. However, this is no excuse for monopolies. But really it might be well to look at some of our real squandering, the squandering that destroys, the squandering that is done by all classes. The only reason the poor do not squander is because they have nothing to squander. They are no better and no worse than the rich who have it to throw away. Squandering is an economic crime and no class is any more excusable for it than another. Envy plays a good part in our denunciations of the rich. Unless we are willing to get down to business and correct the absurd system under which we are working, squandering on the one side and suffering on the other will continue.

We have touched the half billion mark in our yearly expenditures for schools in this country. A wonderful lot of money; more than any other government ever spent for the same purpose during a twelve months in the history of the world! It is actually five-eighths as much as we spend yearly for tobacco! It is nearly a third of what we spend annually for beverages!

HOW WE SQUANDER

Yes, we are a great nation, and we are great squanderers.

Our annual whiskey, wine and beer bill is $1,700,000,000.

Our annual tobacco bill is $800,000,000.

Our annual coffee bill is $66,000,000.

Our annual tea bill is $16,000,000.

We spend to prosecute crime $600,000,000.

To support 300,000 prostitutes over $200,000,000 is contributed annually, and some 40,000 new recruits are plunged into this maelstrom to the ruin of the race.

The government appropriations approximate an average of $1,000,000,000 each Congress; one-half of which goes for war and the concomitants of war. We are still organized on the principle of Cain, whose yoke was neither easy nor his burden light. In Europe the war debt is $26,000,000,000, which causes taxes of $9,500,000 a year.

Americans spend $200,000,000 a year in Europe, and American heiresses sell themselves in marriage to the titled nobility of Europe, showing the vanity of even those raised under American influences, and their cravings for the empty baubles of royalty.

We spend for bread-stuffs $780,000,000; for public education, $500,000,000.

Each year the American people produce billions of dollars of wealth more than are consumed in the process of production. This surplus is absorbed by the freebooters of commerce. Fifty years ago there were but few stocks and bonds in the country. Now there are $70,000,000,000 of stocks, bonds and securities marked on the boards of the exchanges, and otherwise operated, yearly. Financial buccaneers use them as a means of scooping in the wealth of the millions. The rise and fall of the stocks and bonds are manipulated so as to lure the public to invest, and then they are frightened to sell at slaughter prices, and the stocks and bonds are repurchased. These artificial booms and panics are engineered to leave millions of profits to those behind the throne as the market swings to and fro.

This process is allowed to be repeated at irregular intervals and the investing public continues to bite at the same old bait with the same old hook in it. Because you do not invest does not free you from the penalty. You deal with those who lose, and they get it from you. The stock market has become the vampire of commerce. The stocks of copper, railroads, steel, oil, tobacco, etc., are sent up and down at will, and legions of unsuspecting investors are robbed by the corsairs of the mart.

By the triple alliance of money, politics, and the press, the corporate-owned industries, the money of the nation, and the very earth itself are all under the control of practically the same power, masked in various guises.

CORPORATIONS AND TRUSTS

The business corporation was a device of the Romans. The original idea came from Cæsar, and was suggested by the uncertainty of human life. It

was an insurance against the dissolution of a project in case of death. The intent was to provide for the continuance and perpetuity of enterprises which probably no man could carry out during his lifetime. The application of the corporation was for building water systems and laying out roadways. The corporation provided against stoppage of the work in case of the death of any man connected with it—a body without death, a mind without decline.

According to a writer in a recent number of the *Banking Law Journel,* 100 years ago there was no institution in the country formed on the basis and conducted for the purpose of the modern trust company. In 1836 there were two in New York and two in Philadelphia. Twenty-five years ago there were thirty, and at the present time there are over 1,500, with assets of over $4,000,000,000. Since 1890 the growth has been rapid and all States except Florida, Nebraska, and Wyoming now have trust company laws.

The relation of the trust company to the people and its primary and elemental functions is that of trustee, and it is in this capacity that the trust company renders its largest and best services to the community.

As a fiduciary institution the trust company has several advantages over the individual, among which are continuity of management, there being no guarantee that the individual will live to fulfil the task assigned him, nor that he will even make a good beginning. The corporation is endowed with perpetual life, and can assure a continuous administration. The trust company can serve a man after death as effectively as in life. It can advise him while living, act for him, if need be, and administer his estate when dead.

Another advantage is that investments are made by experts. This is a distinct advantage over private methods.

In the development of modern business and industry we found need of a man that did not exist. Great enterprises were in need of enormous capital, more than any one person had. They needed thousands of workers who must be paid before the enterprise reached the point of earning returns for the outlay. In this extremity the state, in its sovereign capacity, created and named him Corporation. The industrial god of America is Business and his prophet is Corporation. The way it has resulted, the chartering of corporations amounts to granting letters of marque and reprisal to exploit commerce. Granting letters of marque and reprisal in time of war is legalized piracy operating as a military necessity. Corporations are creatures of necessity, but they are prone to run to greed. There are 1,000,000 corporations in the United States doing business. They employ 82 per cent. of the capital; pay 72 per cent. of the wages; employ 71 per cent. of the wage earners, and buy 75 per cent. of all the materials used in the manufacturing enterprises of the country.

The corporation has bred the trust.

The trust is the final development of organized greed.

This nation is passing through that world-old process of concentration of wealth, resources and power into a few hands. We see about us billion-dollar industrial trusts controlling every avenue of opportunity and business, and putting forth the mailed hand on the government itself. These great industrial combinations are plundering the people of this country, transportation, manufacturing, mining, and noth-

ing is allowed to interfere with "business," the god of the age.

There are two kinds of combinations in "restraint of trade"; those held under signed agreements between corporations, companies, or individuals, and those operating under a "gentlemen's agreement." The Sherman law is an attempt to reach the former. There is no law, State or National, that reaches the latter. There is no more oppressive trust than the Lumber Trust, but the Sherman law does not reach it. It is founded on "a gentlemen's agreement." By an embargo we limit our coastwise trading to American vessels. Under the "gentlemen's agreement" this coastwise shipping is under an absolute trust. The iron hand of the law was brought to play on the Standard Oil Company and it was ordered to dissolve. It proceeded to do so, and oil went up to pay the additional expense of operating several companies instead of one.

It is operating under the elusive but effective trust of the "gentlemen's agreement." Forty-odd prosecutions have been brought under this national law and seldom have material benefits resulted.

Speculators in grain, tobacco, cotton, etc., throughout the country, agree to divide territory and not bid against each other. When an interloper drops in they combine to drive him to the wall and then go back to their old trade. They have no legal contract to that effect. "There is absolutely nothing to prevent anyone from going anywhere at any time and buying anything he chooses, and paying whatever he has a mind to pay," is what we are told by them; every word of which is absolutely true, so far as any binding, legal contract or agreement is concerned;

but the "gentlemen's agreement" is there. The boycott is often operated in the same way.

When Rome went down, and 3,000 men owned the empire, Crassus, the richest Roman of them all, who made his wealth dealing in slaves and mines, and was defeated in Mesopotamia by Sorena, where 20,000 Roman soldiers were sacrificed, was worth only $12,000,000, the income of John D. Rockefeller for one year.

Pompey was worth $3,500,000; but Joseph Leiter, an American, lost as much by the change of the chalk mark on the board of the Chicago wheat-pit.

Alexander is reputed to have conquered the world in his day, but all the ransoms he ever wrung from conquered foes would not equal the contributions of the American people to the Vanderbilts and Goulds.

Pizarro robbed the Incas of Peru of treasures that made Spain the most powerful nation of Europe, but his extortions were not equal to the purse banked by our corporation on water-stock.

Warren Hastings despoiled India of vast treasures, for which he was tried at the bar of the House of Lords, and Burke, Sheridan, and Fox hurled philippics at him that will live in invective literature forever, but the tribute he took from the princes of India is overshadowed by the amount contributed by a guillible public to the leeches of the New York Exchanges.

And still we slumber with a false sense of security, and refuse to believe that each voter in America is responsible for every wrong that is tolerated. There is nowhere else to put the blame. Voting for men before you know what they will do is the folly of the age. To shun the responsibility imposed by a republic is to invite monarchy. A despotism of greed

reigns under the protection of privilege—sanctioned by those who pay the bills.

Are we incapable of forgetting the little questions and solving the big problems of the day?

CHARGES AGAINST COMBINATIONS

The evils charged against large combinations are well known. These include the power to exploit the producer and consumer by depriving them of a competitive market, thus making the prices of the raw material unduly low, and those of the finished commodity unduly high; the concentration of power, sometimes perilous in a few hands, through holding companies; the ruin of competition in a given locality by selling at prices below the cost of production; the selling of one variety of goods at less than cost for the purpose of driving from the field a rival who produces chiefly that variety; refusing to furnish goods at trade rates to merchants who buy anything from rival producers, or who refuse to maintain list prices as required by "sellers' agreements"; the use of patents to protect what is not patented; checking improvements in methods of production when monopoly is successfully assured; the exploitation of investors by the manipulation of stocks and securities, and the buying up and suppression of useful inventions to prevent their introduction from diminishing the profits of monopoly.

CERTAIN ADVANTAGES CLAIMED

Among the advantages claimed are economies in production and distribution, the greater use of by-products; steadier employment of labor, and at better wages; better protection against industrial accidents; more command over international trade; a command of the best ability; assurance of a steady market, and avoidance of those fluctuations which, under old com-

petitive conditions, so often brought disaster alike to employer and employed, and the standardization of products, so that dealer and ultimate consumer know exactly what they are purchasing.

As to what should be done with the trusts the best thinkers of the day differ widely. The theories may be grouped under three heads:

(1) That monopoly is natural and should be accepted and regulated.

(2) That monopoly is artificial and never could have grown up through economy; that size increases efficiency up to a certain point and then reaches the law of diminishing returns; that our biggest monopolies have obtained their power by special privileges or by illegal means.

(3) That monopolies are the natural result of industrial development; that they are more economical than competition; that government regulation is a failure and government ownership is the only remedy.

Some are willing for the government to take over certain monopolies, but want to draw the line against general government ownership. Just where to draw the line would obviously be a subject for endless contention and discussion.

It is argued by the second group that the point of diminishing returns is reached sooner under government than under private management. It is commonly admitted that the government itself could be run as effectively and judiciously as it is on several hundred millions less than it now takes. Were it run as an individual would run his business or a corporation would operate its business enormous expenses would be lopped off.

The point of diminishing returns is reached when

a concern obtains an absolute monopoly. The sharpening effect of competition is gone; the need for alertness no longer exists in adopting improved devices; economy is not so pressingly necessary, and that indolence born of satisfaction comes into the equation. Economic efficiency does not necessarily increase with size of business. Plenty of instances can be cited to prove this statement. The enormous dividends made for the stockholders of our larger trusts were not made so much because of economic efficiency as from market-domination. When we turn from the great trade-dominating trusts to the trusts that have never risen to the point of crushing competition we find a condition where the competitors have a market steadily encroaching upon the larger trusts. It even takes place where there is an almost complete monopoly. Twenty years ago the sugar trust held 95 per cent. of the American market; in 1911 it held only 43 per cent. Monopoly does not insure maintenance of quality in the material turned out. After an investigation by the Interstate Commerce Commission the figures showed that, during the first decade of the organization of the Steel Trust, a deterioration in the quality of steel rails resulted in increasing derailments from 72 accidents in 1902 to 249 in 1910. The United States Steel Corporation had a smaller proportion of the steel business of the United States than it had in 1901. There has also been a decline in the rate of earnings of the Steel Trust on its invested capital. At the beginning of the century Europe was alarmed over our invasion of their markets. Then came our great combinations. In 1900 Germany exported iron and steel 1,800,000 tons, and in 1910 she exported nearly 5,000,000 tons. We went from 1,154,000 tons to 1,534,000 tons, and thirty

per cent. of the steel corporation's plants laid idle. The increase in the cost of ore in America put us out as competitors, while Germany and England were able to keep down the cost of production and thereby outdistance us in the world markets.

In social efficiency the big trusts have proved that they cared nothing for their workers except for the profits earned. They have lowered the standard of citizenship by resorting to the lowest stratas of society in the remotest corners of the earth to get cheap labor.

The lesson for the farmer to draw from all the examples of the immense wealth is that none of those who possess this wealth got hold of it by the methods pursued by the farmers as a class. They did not follow competition to the limit as farmers have done. They did not auction their wares, goods, products, services, etc., but regulated the supply to demand at a schedule rate and made millions.

Now there is one kind of monopoly of which it is well to study and understand the relationship such monopolies bear to other monopolies in the economics of the day. I refer to the Cooperative Monopoly.

In what particular is it distinguished from all other monopolies?

In the fact that it is not run for private gain.

Does it matter how large a business is or how much of a complete monopoly it has if it is run on the cooperative plan and is not allowed to extort from the public? If all the steel business in the world were consolidated into one company and the capital invested only allowed a dividend equal to the average increase in wealth, the balance of the profits to be distributed to the workers, and the public be protected from extortion, would there be anything to alarm us,

from an economic standpoint, in the operation of such a monopoly? If the worker gets the full return for his labor and the purchaser gets full value received for his money which is paid for the laborer's product, there is nothing left between for graft or parasites. Usually in deciding how much is due the brain worker, and how much is due the muscle worker, the brain worker gets the lion's share. Were muscle workers as well remunerated as brain workers it is argued that the inducement to become a brain worker would not be sufficient to encourage brain workers to forge ahead and do the great things that are needed to be done and are being done now.

Suppose all of our trusts and monopolies were compelled to cooperate with each other and with the public, brought to a physical valuation, and made to follow the Rochdale principle in the distribution of profits, would not the terrors of monopolies be destroyed and the advantages be retained?

Lesson VI

What is a corporation?

Where and when did corporations originate?

What is the purpose of a corporation?

Where have they been used to the greatest extent? Why?

What would result if corporations were abolished?

How many kinds of corporations? Describe each.

What percentage of the industries of the country is carried on by corporations?

How many workers do they employ?

What does a corporation have to market?

How many kinds of service are there?

Give an account of how railroads market passenger service.

Give an account of how railroads market freight service.

Give an account of how shipping companies market passenger and freight service.

Give an account of how life insurance companies market service.

Give an account of how property insurance companies market service.

Describe the methods of National Banks in selling service.

Describe the methods of State Banks in selling service.

Explain how coal mining companies sell their output.

Explain how iron mining companies sell their output.

Explain how silver mining companies market their output.

Explain how gold mining companies market their output.

Which is the more expensive, the marketing system of the mining companies or of the manufacturers? Why?

Lesson VII

What is a trust?

At what period did the trust have its rise?

Give the cause of the trust.

What are its uses?

What are its abuses?

How many kinds of trusts are there?

What is the difference in effect between a legal

trust and one based on a "gentlemen's agreement"?

Name some of each.

Is there such a thing as a trust based on the Rochdale theory of cooperation?

What can you say of anti-trust legislation: State, National?

What kinds of "Big Business" should be exempt from anti-trust legislation?

Is a money trust possible?

If so, how brought about?

How could it be prevented?

Lesson VIII

Define monopoly—public and private.

Based on commercial achievement; based on franchise.

Industrial.

Commercial.

Trust monopoly.

Cooperative monopoly.

Are some monopolies desirable? If so, what kind?

Are some undesirable? If so, what kind?

Should monopolies be owned or controlled?

If controlled, to what extent?

Which is the better, cooperative ownership or public ownership?

What is meant by "the spirit of the shop"?

Is it desirable to have and encourage?

Where is it encouraged to the highest degree?

What can you say as to the legislation on trusts and monopolies?

State and National?

Is there such a thing possible as a political monopoly?

If so, how? And what would be the remedy?

What have monopolies to do with markets?

Do monopolies exist as entities in law?

Do they buy and sell?

What is "watered stock"?

What has watered stock got to do with the high cost of living?

Do millionaires "consume" the wealth they obtain?

How is wealth "squandered"? What becomes of squandered wealth?

Would a cooperative monopoly be desirable?

If so, why? If not, why?

CHAPTER VII

Marketing by Wage-Earners

Wage-earners have something to market. It is their time, service, and skill. So long as they are not organized they sell it to the highest bidder in competition with the lowest bidder among their fellow wage-earners. Necessity is not long in overtaking the mass of wage-earners when out of employment. This eternal tugging of human need keeps the hireling ever on edge for a job. In finding a market for his service he often finds it hard to get employment at wages that mean a decent living. In this extremity laborers organize, place a price on their labor and prescribe conditions under which they are willing to work. If the employer refuses to accede to the demands the organized laborers go on a strike. To quit work is easy; to live without work is impossible. It becomes a battle between capital and hunger. Often millions of dollars' worth of property lie idle and deteriorate, and thousands suffer for want of the necessities of life while the struggle is on. When the employer makes a demand on employees which they refuse to comply with, the employer may close business, and a lockout is the same as a strike only it is the employer who is on the strike.

Reverse the position of the employers and the employees and we would have the same conditions. It is merely a question of whose ox is gored. Capital

is prone to arrogance and tyranny; so is labor. Labor has learned that it is competition that renders it helpless. Labor sees capital eliminate competition by organizing; capital taught the lesson of mastery and labor is copying.

Rockefeller made his millions by crushing out competition.

Carnegie made his millions by monopolizing the steel business.

Railroad magnates have made their millions by getting control of the carrying trade in certain territory.

There are various ways to eliminate competition: by superior business management, by legislative enactment, by copyright, by secret process, etc.

The superiority of business management is shown in the Marshall Field and John Wanamaker stores.

Legislative enactment is the cause of the greater number of the great fortunes of the day. The protective tariff is professedly to eliminate foreign competition. The abuse of this principle has been the fruitful source of much of our trust prosperity. Exclusive franchises have built up the fortunes of many millionaires. There is scarcely a large city in America that has not at some time granted a franchise for railway, light, and water supply and allowed the promoters to bank piles of unearned wealth wrung from the tax-payers of the city.

Buying up the source of supply of some necessity or luxury and arbitrarily pricing it to the public is one of the commonest of commercial methods of financial legerdemain.

A copyright is considered the most legitimate way of eliminating competition. This is due for giving

to the world a new idea, and upon new ideas we build civilization.

Secret process of manufacture is the twin brother to the copyright method of making the world pay a premium for knowledge. In the long-ago, schools where the arts and crafts were taught were secret. This was to eliminate competition. It was in this manner that Masonry had its origin. They were lobbyists, too, even in that far-away time, for they had themselves exempt from taxation, and that was the origin of the title of Freemasons.

Exclusive knowledge is the surest way of eliminating competition. This is what gives the graduate the advantage over the non-graduate in the professions—at least it is supposed to, and usually does. Why would one care to prepare himself for certain work by years of study if it did not give him an advantage over those who will not make this preparation? And the purpose of gaining this advantage is to enable one to minimize competition in that particular line of work or profession he aims to follow.

Skilled labor has the advantage of unskilled labor on the field of competition for the reason that it has a monopoly on the knowledge necessary to conduct the business or perform the labor. Why have the locomotive engineers made a greater success of their organization than other railroad employees? Simply and solely because they had a monopoly on the skill in their particular line of business; they made their demands, and refused to work unless their demands were conceded by the railroads; could tie up every branch of road in the country in a day, and carried no one's grievances but their own. Being limited in numbers, and absolutely indispensable to the railroad business, the demands of the engineers have been

granted one by one till they are a well-paid and well-treated class of laborers. They have persistently refused to enter sympathetic strikes and carry the burden of other organized bodies of employees and have therefore been masters of the situation.

So it is throughout the realm of organized labor. Power means mastery, whether justified or not, and mastery in the industrial world is a question of eliminating competition and possessing a monopoly on labor, its service and products.

The "open shop" is one that employs either union or non-union employees. The "closed shop" is one that employs none but union labor. A strike occurs when the employees quit work for a real or supposed grievance, and is usually ordered by organized labor. A lockout occurs when the employer closes down, either because his business is not paying or because of some difficulty with the employees. The blacklist is used where a man who is dismissed from one place and his name is furnished to others to keep the dismissed laborer from getting employment. The boycott is the endeavor of a number to stop customers from patronizing a firm because of some real or imaginary grievance. Each of these are weapons of warfare in our industrial struggle and evolution.

Capital is justified in organizing; labor is justified in organizing; Society is justified in organizing and compelling a cooperation between Labor and Capital; and Society has a right to dictate the terms of the cooperation. It is the duty and opportunity of this generation to solve these most intricate problems.

Lesson IX

What is a wage-earner?

What have wage-earners to sell?

What is the difference between the "commodity" sold by a hired hand and that sold by a railroad? By an insurance company?

How many kinds of "hirelings" are there?

What is the difference between a "job" and a "position"?

What is your opinion as to the brain worker and the muscle worker either doing the work of the other?

Has the manual laborer or the mental worker been the more favorable to equal pay for equal time?

Which has been organized to the greater extent?

Give instances of the origin of organization of each class.

What have you to say of the open shop?

What of the closed shop?

What have you to say of strikes?

What have you to say of lockouts?

What have you to say of the black-list?

What have you to say of the boycott?

What has the price paid to wage-earners to do with the price of farm commodities?

CHAPTER VIII

Marketing by the Farmer

Old methods of marketing are gone forever. Local markets are no longer the dependence of either country or city producers. Home production exclusively for home consumption is a thing of the past. Merchandising today is quite different from merchandising in the Middle Ages, or in ancient times. The one-price policy and honesty have won out in modern times. Changes in marketing methods have taken place in every department of business more than in farming.

Every vocation except farming seeks to eliminate competition in every way possible.

"Back to the farm" has been the slogan for years from platform, press, and forum.

The farmer has not objected.

He has joined the cry.

Why should he do this?

He has not learned the lesson of the great economic law of elimination of competition.

Why has farming begun to pay more than usual of late? There are various reasons, but one of them is that, in spite of all that can be said in praise of farm life and the profits of farming, those who were born and reared on the farm refused to continue the business and sought other vocations. This has drained the farms of the tillers and left a few farmers the task of feeding the teeming millions. Thus by a

process of automatic elimination there is no longer the fierce competition among farmers that there used to be. The farmers constituted 90 per cent. of the population at the beginning of the government; now they are only about one-third of the population.

The increased power of production has urbanized the world.

Prescott F. Hall, in the January (1912) issue of the North American Review, says:

"To take the classical error on the subject, we have been told repeatedly that on the one hand it was the conquering Goths and Vandals, and on the other hand their own vice and luxury, which cost the Romans their Empire. The real cause of the fall of Rome was neither of these."

In the February issue of *The World Today* is an article by a man who is reputed to be the greatest living writer of Roman history, Dr. Ferrero, an Italian historian. He uses the following language:

> There never was in history a richer, more knowing, more powerful, more daring period than ours. Therefore, to many it will seem strange to think that in the midst of such splendors there may be re-enacted that terrible ancient story of the last centuries of the Roman Empire, which was one of the most deplorable episodes in the history of the world.
>
> And yet, it is beginning to be reenacted. The showy wealth, the clamorous triumphs of modern civilization do not conceal—on the contrary, they reveal—to him who studies in philosophic spirit the fall of the Roman Empire. Among the similarities the most important is the malady that unmade the great body of the Empire and slowly,

subtly, insidiously, begins to infest the world of today—the excess of urbanism.

The condition of the peasant in the soliditude of the depopulated country district became ever gloomier and more pitiable in proportion as the cities became larger and more beautiful and fuller of diversions and gaieties.

The first grave symptom, and the one felt by everyone, is that very excess of urbanism which was the ruin of ancient Rome. The country has been too much abandoned during the last half century, and agriculture too much neglected—exactly what began to happen in the Roman Empire at the commencement of the second century.

Let us hear what the eminent German writer, Kalthoff, has to say on this matter in his work, "The Rise of Christianity." Speaking of the exploitation of the farmer in Ancient Rome, he says:

The noble Roman becomes a relentless exploiter of the poor peasant. He is a speculator on a grand scale and menaces the State. . . . There is no political and social, and certainly no ethical resistance to the evils of this great concentration of capital. The capitalistic accumulation on an agrarian basis has the whole power of the State at its disposal at Rome—the army, the fleet, the law and the government. . . . So the great serpent that is to strangle the finest strength of Rome, its peasantry, brings its coils closer and closer together.

And let us ask what was the end of it all. Listen a moment to what Tiberius Gracchus said:

> The wild beast has its cavern and its den; every one of them has its place of refuge. But those who are called the lords of the earth have nothing left but light and sunshine. There is not a stone that they can call their own and lay their weary heads to rest on. . . . And every effort to reform the situation in the Roman world completely failed.

There is a cause for this excess of urbanism. There are different causes, of course, but one of the prime causes is that the farmer is not getting his just proportion of what the consumer is paying for his products. Until farming pays as much on the capital invested, as is paid in other lines of business, the cry of "back to the farm" will not be heeded.

When this excess of urbanism brought Rome face to face with a crisis she sought to remedy the evil by putting labor to work on the highways and on public improvements generally. The cities were beautified and immense structures for public amusements were built. The resources of the cities and the government were poured out to keep labor quiet. This kind of work brought only temporary relief. The great underlying cause was neglected. When improvements were completed and treasuries were exhausted, labor was again clamoring for work. Corrupt politicians bought their support by the droves. Governments, local and general, became a seething cauldron of corruption. Rome had not provided for an increase of the power of agricultural production.

She had not legislated to keep lands in the hands of the tillers of the soil. Rome had taken a superficial view of things and had failed to exemplify statesmanship in applying remedies for excessive urbanism.

Shall we profit nothing by the example, and fall into a similar error? We had better foster production and distribution than to squander on brick and mortar, subvent corporate greed, making assets of a maudlin sentiment, and "pork-barrel" appropriations through Congresses by pandering to promiscuous parasites because they have the gall to ask for more.

The best agricultural States we have are decreasing in rural population, the small towns are fewer, and landlordism has its tightest hold.

Analyze these conditions and tendencies, young man of America, and study what they mean. More of the rural population are to be started to farther aggravate over-urbanism. You must face the future whether you wish to or not. We have evolved away from individualism in its primitive sense, and to ignore the fact will only bring the result that must ever follow ignoring facts.

Lesson X

In what sense is the farmer a manufacturer?

In what sense is he a merchant?

In what sense is he a consumer?

What were the old methods of marketing from the farm?

When other than local markets were used what were the means of transportation?

What can you say of ancient fairs? Of modern fairs?

What caused radical changes in merchandising? Give present methods.

What can you say as to the segregation of industries incident to the use of improved machinery?

How is the exchange of products facilitated by the use of money, banks, credits, clearing-houses, etc.?

What can you say of the cost of the present system?

Lesson XI

What has been the percentage of decrease of farmers since the beginning of the government?

What has been the cause?

What is the result?

Who has held his own as a property owner?

What is the cause of over-urbanization?

Can you draw any parallels from history of over-urbanization?

What was the cause of over-urbanization in Rome?

What means of palliation were resorted to by the general and municipal governments?

What did the Roman philanthropists do to ward off the evil day?

Might Rome have spent her money to better advantage?

Have we any parallels in this country?

Is there any significance in the relationship of the rural wealth per capita and the number of small towns in a State?

Have you any suggestions as to what should be done to induce people to stay on the farm?

Do you think the high cost of living in cities will have this effect?

Do you consider that we have over-urbanization?

Is over-urbanization an "evil" or is it rather a "misfortune"?

What effect has the drift from the country to the town and city had on markets?

CHAPTER IX

Cotton Exchanges

Cotton exchanges are incorporated institutions composed of brokers who elect their own members, make their own rules, limit their membership and do not report the volume of their business to the public. The chief function of the cotton exchange is supposed to be to furnish a place and the means by which buyers and sellers come together and carry on their business; but the chief function of the exchanges, as now operated, as defined by Herbert Knox Smith, in his exhaustive report while commissioner of corporations, is to furnish uniform quotations and furnish a place to hedge.

The manufacturer of cotton goods wants to know what price to ask for his goods to be delivered several months ahead. He has not bought the raw cotton from which he is to make the cloth. He does not know what it will cost him. So how is he to price his goods to his customer? A cotton merchant comes to the manufacturer and offers to furnish the cotton at a specified time and price. The trade is made. The manufacturer knows what to ask for goods to be made from this cotton, as the price it is to cost him is established so far as he is concerned. But how is the cotton merchant to know but that he will have to pay more for the cotton he has sold than he got for it,

or is to get for it? He does not know. It is up to him to throw the risk on some one else. He goes to the exchange and buys an equal amount of cotton to be delivered at the same time of his delivery to the manufacturer. His buying on the exchange consists in putting up a margin to cover the probable fluctuation between the date of purchase and date of delivery, which is usually $2 a bale. This transaction on the exchange is called a hedge. If the rise and fall of spots and futures remain relatively the same he will neither make nor lose by the change in price. If cotton advances in price, and futures advance at the same ratio, he will make as much on his future deal as he loses on his spot deal. If cotton declines he will lose on his future deal as much as he makes on his spot deal.

Then, where does he get any profit out of the two deals taken together?

This cotton merchant looks up the market before he makes an offer to the manufacturer, and makes a price at so many points above present price so as to leave a margin of profit. It is then up to the cotton merchant to get his cotton as cheap as possible, and make the difference between the market quotation and the price he is to get for it.

When a cotton merchant bought his hedge, from whom did he buy it? He bought it through his broker from some one who was willing to take the risk in price fluctuations. It might possibly be some one who was selling a hedge to cover a purchase in spots, but more likely it was some one who had no cotton, did not expect to have any and could not get it if he were to try. He is apt to be simply a speculator who is selling short in the belief that cotton will go down before the date specified for delivery. The

buyer and the seller stake their margins with the broker and await results, the same as in any other game of chance. The only investment is the amount of the commission; the hedge is simply a "stake."

Suppose that in the instance above related the price of spot cotton goes down and the price of futures goes up, what would be the result? The cotton merchant would make on both. On the other hand, if the price of cotton goes up and the price of futures goes down, the merchant loses on both transactions.

The spinner or manufacturer may do his own hedging, and then buy his own cotton in the open market as he needs it.

A hedge is not always a protection. It frequently acts as a boomerang to the hedger. But it offers sufficient guarantee under ordinary circumstances to induce a great number of cotton buyers to use it when they are carrying cotton which they have not sold, or when preparing to fill orders which they have sold.

A wide market furnished hedgers by the exchange is made possible by customers of the exchange who have nothing involved but their margins. So one of the main functions of the exchange as now operated is to furnish speculators a place to win or lose in a game of chance on marginal risks. To all intents and purposes the interest of this class of exchange patrons is the same as the interest of the patrons of the "bucket shop."

A bucket shop is an office set up by one who takes the quotations of the exchanges as a basis and operates by taking the bets of all customers whether they are on the bull or bear side of the market. Nothing is contemplated being delivered or called for delivery. It is purely a gamble on the fluctuations of the market.

The bucket shop manager takes chances on there being more losers than winners among his customers. Margins are staked by the bucket shop patron the same as when dealing on the exchange. Nothing is affected in price by the bucket shop, as it has no connection whatever with dealing in any commodity, except to use future quotations as a basis for betting. Bucket shops have been outlawed in recent years throughout the country.

Each contract bought or sold on the cotton exchange calls for the delivery of the cotton, and can be enforced. The contracts are held to be valid. This would give the buyers a chance to put the short sellers in a hole were it not for the rules governing exchange deliveries. When cotton is contracted for on the exchange it is simply cotton—grade has nothing to do with it. A buyer cannot contract for a specific grade or quality of cotton. Contracts are all based on "middling." You buy, say, one hundred bales, basis middling, to be delivered at a specified date at a specified price. The seller does not have to deliver middling or any other specific grade. He has the option of selecting any grade or grades he chooses within the limit of eighteen, and tender it on the contract. If he does not want to deliver at all he is certain to select such cotton as cannot be used by the purchaser to an advantage, and thereby avoids being called on for the spot cotton. On the New York Exchange the differences in value between the various grades are fixed by a board which meets at stated intervals. The New Orleans Cotton Exchange settles the differences on the commercial basis, *i. e.*, on the commercial value of each grade at the time of delivery. The New York plan gives the seller a still greater advantage when called on to deliver, as he can pick out the grade least

in demand and of least relative value at the time of delivery. All of which means that an exchange is not primarily a spot cotton market. In fact it is conceded that not ten per cent. of the sales are ever delivered.

The practice of giving through bills of lading has also operated to eliminate the cotton exchanges as spot cotton markets. It is no longer necessary that there be a midway station where buyer and seller meet to see the cotton and do their trading. Hundreds of millions of dollars' worth of cotton are bought by foreign mills without the purchaser ever seeing the seller or ever seeing the cotton till it arrives at the purchaser's warehouse. It is bought on grade, staple and spinning qualities, the seller guaranteeing it to come true to contract.

Often there is a battle royal on the exchange between the bulls and bears, when millions of dollars are involved, and whichever way the tide turns means enormous profit or loss to the contending parties. We read in the market reports of "bear raids" and "bull campaigns." A few times it has happened that men with enormous capital at their command have quietly "cornered" both the future and spot markets, and then proceeded to make demand for spot delivery on their exchange contracts. The bull campaigners were prepared for this emergency and accepted all that was tendered. When this supply—kept in New York for the purpose—was exhausted, good cotton had to be secured by the sellers to fill their contracts. So the sellers of exchange contracts had to go to the very ones to whom they were bound to deliver and first buy the spot cotton and deliver it right back to them on the exchange contracts. Under this pressure cotton has been bought in Europe and brought back to New York to tender on "short" contracts.

When the top is reached, and reaction sets in, the only way the bulls can save themselves is to turn bears and hammer the future market as low as possible while they pocket margin forfeits as the price slips downward notch by notch.

Suppose the short sellers cannot get the cotton at all; how can they be forced to deliver? That is cared for by the broker "covering" for his client before the margin is exhausted. This process lessens the number carrying the load, but it is the only way of keeping solvency of operators.

"Scalpers" go in and out of the market the same day.

If a broker gets an order from a customer and takes it himself, instead of offering it across the pit, he is said to "bucket" the order, because he thus assumes the same attitude toward his customer that the keeper of a bucket shop does. This is forbidden by the rules of the exchange, and should a broker be found guilty of practicing it, he would be expelled from the exchange.

The expenses of the exchanges of the country are not definitely known. A conservative estimate of the commission charges on the transactions of the New York Cotton Exchange places the amount at $10,000,000 a year. The commissions are $15 a hundred bales to those who are not members of the exchange —$7.50 to get in and $7.50 to get out. The commissions of members are half that of non-members.

But to offset this it is shown that not all the sales on the exchanges are bona fide transactions, yielding these regular commissions. There are what is called "matched sales" and "washed sales," and a process that is called "wringing out," all of which yield no

commissions except what is paid the floor broker for his wage service.

"Matched sales" or "washed sales" are those where a member of the exchange, or a combination of them, have a private understanding, and go to one set of brokers and order them to sell a certain amount of cotton, at a given price, and then go to another set of brokers and order them to buy the same quantity of cotton at the same price. The purpose to be served in a plot like this would be to make a "bear raid." Suppose a coterie of men find out on a certain day that they are badly oversold, say, a million bales; and that if they can make a decline on that of a cent a pound they can clean up $5,000,000! They get together and agree to break the market on the morrow, say one-quarter cent. They divide up, and each gets a broker to sell ten thousand futures five points down to each lot, 2,000 at a time. Say 200,000 are thus to be offered. These same manipulators get another lot of brokers and instruct them to go on the floor and buy in like lots and prices. The two sets of brokers do not know anything about the scheme. They are concerned only in obeying the orders of their customers. They have their orders and proceed to carry them out, and the quotations decline a quarter cent. Not a cent is made or lost by these transactions per se, but the decline means over a million rake-off for the manipulators, less the wages of the brokers.

The rules of the exchange do not allow this—but to prove that it is done—there is the rub.

"Wringing out" describes the condition where a purchase goes from one to another any number of times, and returns to the original seller; when accounts are compared after the day's transactions it

is found that this contract will "wring out," and the intermediary men are eliminated, and thus a useless transfer of contracts is avoided.

Quite a lot of legislating has been done against future dealing in the States. Every Southern State except two has outlawed it. Many Northern States have done the same. Several attempts have been made to get national legislation against it, but without success. The lower house of Congress passed a bill prohibiting dealing in cotton futures in 1910, and again in 1912, but neither got through the Senate. The Federal government could prevent it, as it did the Louisiana Lottery, by denying the use of any means of interstate communication of future dealing transactions where there was no intention to deliver or receive that upon which the contract was based.

The result that would follow an abolition of future dealing is problematical. It would depend on the conduct of the farmers themselves. If they would assume the carrying function, and feed the markets of the world ever gradually with their products, future dealing would fall into disuse automatically. There would be an additional cause for them to do this if future dealing were prohibited. Local cotton buyers would be less willing to assume the risk of buying in the fall, and finding sale at an advanced price, if they could not carry a hedge to cover possible losses.

The utility of this local cotton market is doubtful. The thing that is the most convenient is not always the best. It is far more expensive than a system need be to transfer adequately the crop from the cotton pens to the looms. There is little competition among local buyers. They parcel out the territory and do

little interfering with each other. When a competitor "butts in" on an established buyer he is usually put out by unfair competition. The one that is established, and able to stand the strain, will proceed to overbid the newcomer till the intruder is compelled to leave the field. Cotton is in the meantime lowered a fraction at various other points in order to make up for the loss sustained at the one point while overbidding the competitor. After competition is eliminated it often happens that one left as master of the field abuses his power till another tries the game of competition again.

The only substitute the farmers have for the exchanges is the consolidated warehouse system, with a central office to sell and guarantee sales to come to contract. In short, to do as the big concerns all do: organize a sales system, own it, control it, sell through it, and refuse to sell any other way.

The local buyer does not make a market for cotton; the big cotton merchants do not make a market for cotton; the exchanges do not make a market for cotton; the manufacturers do not make a market for cotton; the wholesale nor retail merchants who sell cotton goods do not make a market for cotton. Then who does? The 1,500,000,000 people who inhabit the earth and use cotton goods in a thousand different ways make the market for cotton. This demand is constant and permanent. This demand created by the consumers goes to the retailer, then to the wholesaler, then to jobbers or to the mills, then from the mills to anyone who has the cotton and will deliver it to suit the convenience of the mills. If the farmer refused to sell except through his own warehouse agencies he would be master of the situation the same as other captains of industry who so largely master the commercial affairs of the world.

Lesson XII

What is an exchange?

How many kinds are there?

What have they to do with markets?

What is a bucket shop?

What is the difference between a bucket shop and an exchange?

What is a "pit"?

How is an exchange operated?

How are records of sales kept and reported?

Where are the leading exchanges of the world? Of the United States?

How is membership secured in an exchange?

What can you say on the origin and history of the New York Cotton Exchange?

What effect did the through bill of lading have on New York Cotton Exchange as a spot market?

To obviate delivery what rules did they adopt?

What can you say of the volume of business done on this exchange?

When did they cease publishing the record of business? Why?

What percentage leads to actual transfer of the cotton?

Describe hedging as a protection.

Describe hedging as a gamble.

What is "scalping"? "Bucketing"?

What is a "washed sale"? "Wringing out"?

What is a "raid"? A "corner"?

What is the meaning of "short" and "long"?

What is a broker? How does he operate?

What is the official position of a man who buys and sells across the pit?

Lesson XIII

What is a "point"? A "margin"?

What is a "bull"? A "bear"? A "lamb"?

What is an "operator"?

How are combinations formed to put price up or down?

What can you say of the fluctuations in the prices of commodities dealt in on exchanges and of those not quoted on exchange boards?

What is the "commercial difference" of the New Orleans Exchange?

Why does the commercial difference not make the New Orleans Exchange more heavily patronized than the "fixed difference" of the New York Exchange?

How do heavy cotton dealers and operators get exclusive knowledge of conditions and supplies?

What are the commissions of transactions on the exchange?

Who pays them directly?

How are the charges passed to others? Who finally foots the bill?

What can you say of the estimated cost of the system?

Do exchanges perform the function of merchants?

Are they a means of delivering the crop from the producer to the consumer?

What are the declared functions of an exchange?

How is it possible for one's gain not to be another's loss?

How frequently does it happen thus?

Lesson XIV

What can you say as to the legislation on future dealing in the States?

What attempts have been made in the way of national legislation?

Give some arguments for the exchanges.

Give some arguments against the exchanges.

What would be the probable result of abolition of future dealing by national legislation?

What can you say as to the utility of the local cotton market?

How is the territory parceled out?

How is competition driven out when a competitor attempts to "butt in"?

What substitute have the farmers offered for the exchanges?

What can you say of the attempts at warehousing by the farmer?

Where is the market for cotton created?

Could it just as readily be fed by a different channel from the one now in use, and more economically?

CHAPTER X

The Grain Exchanges

The Chicago Board of Trade consisted in 1913 of 1,642 members. A seat was worth $2,500. This exchange has a large building at the head of La Salle street. On the main floor are three grain pits—wheat, corn and oats. The exchange per se neither buys nor sells anything. It is a place where traders, who have bought the privilege and subscribed to its rules, meet to buy and sell grain and deal in grain contracts.

As to how much grain is bought and sold and how much is involved in the contracts that are bought and sold no one knows, as it is the deliberate policy of the exchanges not to allow the public to know—there is a reason. Each transaction is an individual and private affair, so far as the record is concerned; no one knows at the end of a day's transactions how much anyone has traded, other than himself. When changes are made in price, the last price is telegraphed at once and becomes a quotation. It may last all day or it may last five minutes. About 150 telegraphers are kept at the keys all the time answering the calls of the brokers and their customers and communicating with them by signs and messages.

This exchange transacts as much business as any other five of the largest grain exchanges in the world. Not infrequently, there are 10,000,000 bushels of

wheat in Chicago. They buy and sell grain anywhere but usually that located in the Chicago zone. The reason there are more grain than cotton exchanges is because the parity of prices of grain does not maintain over as large a territory as with cotton, and spots and futures respond to each other in a smaller range or markets. This is due to the fact that certain zones of supply influence prices because of freight rates and because the centers of consumption differ materially from that of the Southern product.

It is those agencies that have grown up in these exchanges whereby prices are artificially affected that the farmer and consumer object to, and toward which they are waging a warfare of extermination of the future dealing features of these exchanges.

When asked, "What would be the result of prohibiting future dealing?" the usual reply is, "It would throw the handling of grain into the hands of a few millionaire dealers and millers." The same plea is made by the cotton broker. There is no use in dodging the question; if the farmer is determined to sell as soon as he harvests his grain or picks his cotton, it will throw the crops into the hands of speculators, just the same after future dealings are prohibited as it does now. Hedging is not always a protection against a decline of spots, but it is frequently enough protection to cause most dealers to resort to it. Now, if this hedging is prohibited, there is likely to be an inclination to require a wider margin between the current and future price when the delivery is to be finally made. Great quantities of grain and cotton can only be handled by a great quantity of money, when they are actually bought and stored for future use. If it cannot be hedged banks are less willing

to loan within close margin of market value. As to how much the risk incident to fluctuation would be mitigated or augmented by a prohibition of future dealing on margin is a mooted question.

THE CARRYING FUNCTION

The only safe business proposition for the farmer is for him to assume the carrying function, and sell only to mills as they need his wheat or his cotton throughout the year. This is the doctrine of the Farmer's Union, and much effort has been put forth in this direction in an endeavor to carry out this plan.

The cost of the exchanges must be taxed on to whatever they handle and passed on to the consumer. In like manner it is up to the farmer himself, in assuming the carrying function, to tack on this carrying cost and pass it on to the consumer. If the farmer is unwilling to assume the risk and expense of carrying his products till the consuming world wants them, why should he object to others, who do assume the risk, making all out of it they can? It is up to the farmer to do this himself or take the consequence of not doing so. All the resolutions he may pass, and all the impolite language he may use, will not keep the speculator from doing business at the same old stand. The farmer is making a fool of himself to keep up this fight unless he gets down to business and does for himself what others have been doing for him and making him foot the bill.

The farmers of this country could destroy every future-dealing exchange in the world in one year if they were a unit, and were to try, without there being a single law passed, by any State, by the national government or by any foreign nation. It could be done this way: Do the carrying and distributing.

The Chicago Board of Trade voted, in June, 1911,

to change their rules so that when a corner is made a committee can say at what price the settlement is to be made, and those caught short will not have to settle at the inflated price. But it would be very difficult to comply with these rules because of the inability to decide at just what price the settlement should be made. Besides, it spoils the game and takes away the incentive that keeps the excitement going on the exchange. If the farmer would assume the carrying function, and exchanges were supervised by government officials in the interest of the people and no future dealings on margins allowed, it would go far toward economizing our commercial system, and eliminating useless waste and expense, as well as preventing gambling in future contracts, where no delivery is made or contemplated. It would place trading on a legitimate spot basis, and give the normal operation of the law of supply and demand full swing. An exchange abrogates the law of recompense. It should not, and would not, if run as a spot exchange under proper control, and all sales reported and published, with date, amount, and parties in the contract.

The farmer has no more competition in the producing business than he ought to have to supply the demand. This part of the problem has solved itself without any conscious effort on his part. What he now needs to do is to eliminate competition in the marketing of his crops. He can readily do so by patronizing the selling agencies he has established in the various States, and when a mistake is made and the sales do not pan out as expected, right the wrong and stick to it instead of flying off the handle and taking to the woods as so many have done. Men with money and brains do not cut such stunts as that in handling the things that are consumed every hour

of the year. When the ship springs a leak it should be mended or a new ship secured—do not jump overboard and refuse the lifeline.

When the farmer comes to his own it will be a great day for this country, for America, and for the world. When good roads extend in every direction, when he no longer destroys the soil, but conserves it; when he has the conveniences that city life affords, without the disadvantages that the city must of necessity have; when he can dash in his auto to town and back in an hour, or to the city, fifty miles away, and return in half a day; when he can read his daily papers and talk across the continent before breakfast; when he has access to fine schools; when he draws the whip of the lightning across the back of glittering steel and turns the stubborn glebe; *when he shall own his home;* when he shall be master of science of marketing; when he shall plow with the legislative plow with the same facility that he does the steel plow—then will the farmer come to his own.

Lesson XV

What is a Board of Trade? Bourse?

What is the largest grain exchange in the world?

What can you say as to its origin and development?

Wherein do the rules of the grain exchanges differ fundamentally from the rules of the cotton exchanges?

Give the details of the operation of a grain exchange.

How much grain is handled by the exchanges? How much pure speculation?

Give arguments for grain exchanges.

Give arguments against grain exchanges.

What are the declared functions of a grain exchange?

Lesson XVI

What proportion of the staple crops must be carried from a few weeks to a year?

Who performs this function in the main at present?

What means do they adopt to enable them to carry with safety?

Why do neither the producer nor the consumer carry this surplus?

Is there a better way?

If a change is made, who will have to assume the task?

How could a change of system be made without any legislation?

What can you say of valorizing?

Has either the producer or consumer any excuse for complaining of speculation, unless he is willing to assume the carrying function, which he now delegates to the speculator?

What are the difficulties in the way of shifting the responsibility?

Who finances those who hold at present?

Who will have to finance if the producer undertakes the task?

Who will dictate who is to sell first?

How can the farmer perform the task?

CHAPTER XI

Stock Exchanges

A stock exchange is a place where stocks, bonds, and other securities are bought and sold. Paris, Berlin, London and New York have the world's greatest exchanges. In Paris the business can be traced back for about five hundred years, but it was not until 1726 that the Bourse was legally recognized. Previous to 1773 the London stockbrokers conducted their business in and about the Royal Exchange, but in that year they formed themselves into a separate organization under the designation of Stock Exchange. Settlements on the Bourse are made monthly and semi-monthly. The Bourse is under government control and any one may act as broker. The settlement occupies three days and is monthly. The first organization of brokers in New York dates from about 1820. It was not till 1871 that a permanent organization was formed, when two dozen brokers banded together and fixed a uniform commission of one-fourth of one per cent., since then reduced to one-eighth of one per cent. The New York Stock Exchange elect their own members and had in 1913 eleven hundred. The hours are from ten to three. The mode of conducting business in Wall Street differs in some respects from both English and Continental procedure. Transactions of one

day are settled the next. The curb exchange is one held in the street. The business transacted is insignificant as compared to the other exchanges.

Stock exchanges are distinguished from cotton and grain exchanges in the character of securities or commodities bought and sold. The value of shares in the great corporations of the country is affected by the stock exchanges, and only incidentally and indirectly do they affect the price of the common necessities of life. The volume of business of the exchanges is in excess of any other kind of trading. The facilities which they offer for heavy trading makes exchange dealing a favorite form of commercial exchange.

The principal securities handled on the stock exchanges are: railroads, industrials, public utilities, and kindred securities. They are not limited to American securities, but the trade is international. They do not publish the volume of business transacted.

The condition of the stock market is taken as a criterion as indicating the general prosperity of the country. The business world is very materially affected by the fluctuations of the stock market. The great bulk of the corporate wealth of the country is represented in the stocks dealt in on the exchanges.

Corporations, except national banks, are not the creatures of Federal enactment, but of State charters. This gives rise to quite a diversity of corporation laws and regulations. No State limits the amount of capital stock for which a corporation may be chartered. This means that there is no limit to the amount of stock that can be issued by a corporation whether there is one cent of tangible assets to back the stocks so issued or not.

If the required number of men, usually five, are a mind to pay the charter fees and taxes they can organize a company, have it chartered, issue to themselves all the stock they care to, sell the remainder to the investing public and operate on the money thus secured and pay themselves salaries for conducting the business, and, if the dividends are made, they draw dividends on their "watered" stocks the same as those stockholders who paid cash for their shares.

The fact that the value of shares in a company or corporation is not determined by the amount of real, tangible assets behind them, but is determined almost solely by the earning power of the shares, based on the cost of said shares, has tended to lend a respectability to this species of stock jobbing that otherwise would not adhere. The fact that some corporations with very meagre assets have enormous earning power has helped to intensify the speculative mania. The stock exchange offers the visual point of manifestation and greatly augments the possibilities of speculation. It also offers a ready market for trading in the best and the worst of the larger securities of almost every variety of shares.

New companies whose stocks are of doubtful value are shy of having their stocks quoted on exchange. A company starts out by having an arbitrary price at which its stocks are sold. If they are quoted on an exchange at a lower price this would prevent the stock solicitors from being able to market shares for more than they were quoted on the exchange. The fact that stocks are quoted on an exchange does not necessarily mean that they are being sold. So a firm may have stocks of a rival quoted on the exchange at under value for the purpose of bringing

it into disrepute and preventing the investing public from purchasing its stock. Be it remembered that one does not have to own stock to offer it for sale on an exchange. If a buyer is found it is easy to say that none are available just then. In order to prevent this unfair practice it is now provided that the stockholders of a company may *escrow* their stock: *i. e.,* sign an agreement that the stock is not for sale at all until a certain date. When this is done it is unlawful for the stock to be quoted on an exchange—the ones so doing are subject to prosecution.

Firms rent private wires from the exchange to various parts of the country so as to keep in constant touch with the local as well as the exchange markets and with customers. Heavy dealers in grain and cotton practice this periodically even more than do stock dealers.

The different exchanges are in constant communication with others of like nature.

A member of the Stock Exchange will fit up an office for customers who wish to take advantage of the privilege of trading close to the "ticker." Some traders prefer to follow the market through frequent telegraph or telephone advices. The mailing department issues daily market letters, placing before customers the status of the market. A statistical department furnishes detailed information and once a week a financial indicator is issued which shows fluctuations in prices, dividends, rates, etc. Out-of-town customers, who wish to scalp fractional or one-point profits, trade through a "wire house." Private cipher codes are provided, which insure privacy and minimize expense when telegraphing orders. Orders may be sent by any means of communication.

When you buy or sell for cash in full the certificate is recorded in your name and delivered by messenger or registered mail.

When you buy on margin your broker pays in full for the stocks, holds the stock as security, and receives from you a cash payment or "margin" sufficient to protect him from loss through possible depreciation in the market value of the stock. He takes the stocks to a bank, hypothecates them and borrows on call the amount of the stocks not covered by margin. A rise of five points means a profit of $50 (less charges) on ten shares of stock, and multiplies accordingly. The minimum of protection required varies. It is usually ten points on active stocks, of low or medium price; that is, for a deposit of $100 your broker will buy and carry for you ten shares; for $200 he will carry twenty shares. The requirement on high-priced stocks is fifteen to twenty points or $150 to $200 for ten shares.

The required margin must be kept; additional margins are seldom called for while six points protection remains. "Stop loss" orders may be entered two points or more from the price where the margin is exhausted. A stop loss order is an order to sell at the market if a certain loss is reached on a decline. Stocks may be bought on a margin, and paid for in partial payments, by, at any time, settlement of balance due.

In sending orders you state whether you wish to buy for cash, on margin, or on the partial payment plan; what number of shares you want, the name of the stock, and the price you will pay, or whether "at the market."

A "scalper" is one who buys in and sells out the same day, or sells in and buys out the same day.

Selling stock you do not own, prices rise and you cannot withdraw without loss is called "short selling." To be "caught long" is to be overloaded and find no sales without loss.

Short sales are made with the intention of buying back at a lower price and making a profit of the difference. When an order is given a broker for short sales, the broker "borrows" the stock for delivery. When a customer gives an order for the short sale of any stock, he deposits with his broker a margin. The usual requirement is $10 a share. This means that the stock can rise 10 points before the margin is entirely wiped out. The broker borrows the stock for delivery. The lender can "call" the broker for a margin, and it is the usual practice among brokers to call this margin to the market. It is the practice of New York Stock Exchange houses to lend stock which they are carrying on margin for their customers. The rules of the exchange allow this, and under the agreement they make with their customers to be allowed to hypothecate the securities. So the stock is borrowed "against" the sale and when the seller has "covered"—i. e., bought a stock of which he is short—the stock is returned to the lender.

The expenses of exchange transactions are met by commissions charged by brokers. Commission charges are one-eighth of one per cent. of the par value for buying, and the same for selling, or $1.25 each way on 10 shares, and for other quantities in proportion, with a minimum charge of $1.25 per transaction.

Interest is charged on money advanced for the purchase of stock on margin, on the difference between cost and margin, which varies from 4% to 6%.

Long stock carried on margin, on the day that the

company's books closed for a dividend, pay dividends for time carried by purchaser. One may sell his stock, on which he is entitled to a dividend, at any time after it sells "ex-dividend," and still receive the dividend when payable.

On the partial payment plan $10 a share, regardless of the par value, is the smallest initial deposit accepted; no stock selling under $10 a share can be purchased on the partial payment plan. The balance is paid monthly in amounts equal to $5 a share on all stocks bought at a price above 30, and $3 a share on all stocks bought below 30. Bonds have similar requirements. Payments on a hundred dollar bond would be $5 a month and other multiples accordingly. At any time total payment may be made, and the stock certificate will be issued to purchaser. Securities may be sold at any time, and the seller receive his aggregate deposits plus the profit, if any, less the charges. Holdings may be increased without additional deposit whenever payments on the first purchase aggregate the stated requirements on both purchases, and provided the security first purchased is not at the time selling below its purchase price. In the event of failure to pay an instalment when due, the securities are considered as carried on margin, subject to rules governing margin accounts. Thus, a stop loss order will be entered close to the point of exhaustion of margin. This is the usual rule unless otherwise ordered. If the customer prefers he may receive in return his deposits, plus the accumulated profits, or less the accrued losses, and less the charges in either case.

The interlocking of directorates, resulting in inside management, and the practice of companies buying and selling their own stocks on the exchange, has

led to the officers, directors, or stockholders of a company artificially "bulling" the market or artificially "bearing" the market, and thereby swindling the investing public.

Sometimes flurries in the stock market will start tremors in business that are felt throughout the civilized world. "Black Friday" may be mentioned as an instance in the early days of American stock jobbing. Jay Gould was counted "king of the stock market" in his palmy days. Tom Lawson, in his "Frenzied Finance," acquaints us with the big stock operators of recent years. We all remember Brown and Sully in the cotton market, and Patten on the wheat pit, as masters in their line.

C. W. Smith of England said: "It is by such deadly 'Bull and Bear' international gambling weapons that these men have also cunningly and secretly obtained the key to the financial, agricultural, and commercial conquest of the world. I maintain I have ample justification in denouncing international financial and commercial gambling in 'options and futures' as standing out as the greatest of all perils which the world has to contend with in the future in the connection with preserving the rights of the property, as well as upholding the liberty and privileges of the people."

Mr. Coats, of Manchester, England, President of the Cooperative Manufacturers' Association, representing 6,000,000 spindles, said, in an address before the convention of the International Spinners and the cotton producers of the United States, in Atlanta, Ga., October 7-9, 1907: "Ninety per cent. of the business of the cotton exchange is evil, and unless the evil can be eliminated and the good retained, it had better be abolished."

Congressman W. P. Hepburn, of Iowa, said "It is

not at all probable that business men would pay $75,000 or $100,000 for a seat on the New York Stock Exchange if there was not a prospect of great returns. Would dozens of brokers, who own these priceless seats, maintain thousands of miles of private wires, at a cost of thousands of dollars per month, if there was not the sure-thing gamblers' profit in sight? Would they buy these seats of gold, and wires of unknown cost, if they were only buying and selling stocks in a legitimate manner? All the race-track gambling in the world; all the games of cards in the 'Tenderloins' and 'red light districts' of the cities; all the games of chance at Monte Carlo and the other famous gambling resorts of the world are as drops in the bucket compared with the enormous transactions of the stock exchanges of the United States."

The Saturday Evening Post, in a recent editorial, said: "First and last, a lot of money is made out of this gambling. Otherwise it would not continue. Whether the bull finally gets his money, or the bear, or simply the broker, does not matter. Whoever gets it does not earn a penny of it. He does not produce or transport or distribute a bushel of grain or a pound of cotton. He contributes absolutely nothing to industry itself. He merely sits aside and bets on it. So that the money that is made is speculation, whatever the amount and whoever receives it, is just so much scooped out of the wealth that the country produces, with no return on the scooper's part."

William Jennings Bryan said, in a speech in New York, in March, 1908: "Measured by the number of suicides caused by the New York Exchanges, Monte Carlo is an innocent pleasure resort by comparison, and the men who operated the Louisiana Lottery never did a tithe of harm that grain gamblers,

gagged, for the going-through of their clothes, with the profits limited only by the amount of money their victims had about their person. The legitimate business transacted by the Stock Exchanges is infinitesimal compared with its gambling business. It is the most gigantic sneak-thief-bully-ragger civilization has ever known. High cost of living is caused by the Stock Exchange trick. If high-cost living continues it will bring to the American people black, brutal revolution."

Mr. Lawson estimates the eleven hundred seats on the New York Exchange at a hundred million dollars; the amount invested in the exchange business throughout the country at a billion dollars; the commissions at seventy odd million dollars; the amount borrowed on these securities at two billion dollars; the interest charged to customers, on money borrowed on stocks in excess of the margins at a hundred million; average number of shares sold 195,000,000, involving a turnover of $15,500,000,000, and of bonds $800,000,000.

It is evident that whatever amount is needed to pay off the remainder of the expense account not covered by commissions, and leave a margin of profit, is made by the manipulation of the prices of the securities bought and sold on the exchanges.

Lesson XVII

What is a stock exchange?

Where are the larger ones located?

Point out essential differences in their systems of doing business.

What is the function of a stock exchange?

What is a "curb"?

How are stock exchanges distinguished from other exchanges?

What markets are affected by stock exchanges?

What can you say as to the volume of business transacted on the stock exchanges?

What is "watered" stock?

What is meant by "escrowing" stock?

What is its purpose?

How are stock companies promoted?

What is a "wire" house?

What is a "scalper"?

Are all deals on the exchange cash?

When you buy for cash what is the method of procedure?

When you buy on partial payment plan what is the method of procedure?

Can you deal in futures on margin on the stock exchange?

Can you sell what you have not and do not expect to have on the stock exchange?

What is "short" selling?

What is "long" selling?

What is a "stop loss" order?

How do you proceed in such deals?

Who pays the expense of exchanges?

What are the commissions?

When is interest charged, and why?

Can you get dividends before complete payment of stock is made?

What is a "margin call"?

Name some of the kings of the stock market.

What have some noted statesmen, publicists, and captains of industry had to say about exchanges?

CHAPTER XII

Cooperative Marketing by Farmers

There are various methods and degrees of co-operation. It might be well for us to get a clear conception of these before entering into a discussion of the various methods used in different parts of the world.

There are three primary distinctions in ways of marketing: the individualistic way; the capitalistic way, for the benefit of the stockholders; and the co-operative way, for the benefit of the stockholders and patrons. It is the last we now have under consideration. Dividing profits according to patronage was developed by the Rochdale cooperators in England, and in some form is the basis of all genuinely co-operative enterprises the world over. It begins by giving a stated rate of interest to the stockholder, then an allowance for expenses and sinking fund, and patrons come in for the remainder of gain in the business.

To divide profits to stockholders is the attractive way of organizing corporations. This kind of co-operation is for shareholders only. There is the other extreme of dividing profits among all patrons whether stockholders or members of the Association or not. There is the medium ground of allowing the non-members dividends at half the rate the members receive and to apply these upon shares of stock

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cotton gamblers, and stock gamblers of New York do every day."

January the 12th, 1912, Mr. Andrew Carnegie was testifying before the special committee of Congress, investigating the United States Steel Corporation, and from the official record we quote the following:

> The Chairman. I understand. Your shares were in blocks of a thousand dollars apiece?
>
> Mr. Reed. That was the Carnegie Co., of New Jersey.
>
> Mr. Carnegie. I made them as thousand-dollar shares so as not to render them gambling instruments in the stock exchange.
>
> The Chairman. I see. You put them at a thousand dollars apiece to keep them out of the stock exchange?
>
> Mr. Carnegie. As far as I could.
>
> The Chairman. Why did you want to keep them out of the stock exchange?
>
> Mr. Carnegie. Because I did not want to have partners that would be tempted to go into speculation. I never bought a share in my life in a stock exchange. I never sold a share. I have been, you might say, a monomaniac on the subject of speculation. I have never touched it. I have never bought a share of stock long nor sold it short in my life.
>
> The Chairman. Before the Ways and Means Committee I find this statement right in line with what you said:
>
> "I want to say that I am no stock gam-

bler, and I never in my life associated with stock gamblers. * * I think that the common stock gambler is one of the worst citizens that a country can have. They are parasites, feeding upon values and creating none."

Mr. Carnegie. Can you say a better thing than that? (Laughter) They are parasites, feeding on values and creating none.

You said something I had said should be put in marble. I think that would be a splendid thing to have in the New York Stock Exchange, in marble. (Laughter.)

The Chairman. I say amen to every word of that.

Mr. Carnegie. Thank you, sir.

"Legitimate purchases of commodities and of stocks and securities for investment have no connection whatever with purchases of stocks or other securities or commodities on a margin for speculative or gambling purposes. There is no moral difference between gambling at cards, or in lotteries, or on the race track, and gambling in the stock market. One method is just as pernicious to the body politic as the other in kind, and in degree the evil worked is far greater.

"It would seem that the Federal Government could at least act by forbidding the use of the mails, telegraph and telephone wires for mere gambling in stocks and futures, just as it does in lottery transactions.

"The apologists of successful dishonesty always

disclaim against any effort to punish it, on the ground that any such effort will 'unsettle business.'

"The keynote of all these attacks upon the effort to secure honesty in business and in politics is well expressed in brazen protests against any effort for the moral regeneration of the business world, on the ground that is unnatural, unwarranted and injurious, and that business panic is the necessary penalty for such effort to secure business honesty. The morality of such a plea is precisely as great as if made on behalf of the men caught in a gambling establishment when the gambling establishment is raided by the police."—President Roosevelt's message to Congress, January 31, 1908.

Thomas W. Lawson says: "I began to play the game at twelve. I am now fifty-five, and I have tagged-and-tilted chair at the game's center table—that is, I have played forty-three calendar years. I have bought and sold, traded in and traded out, every prominent stock in all the American exchanges, London, Berlin and Paris, and in 1000 ($100,000), 10,000 ($1,000,000), and 50,000 ($5,000,000) share lots. I have organized, capitalized, and consolidated corporations, and have financed and managed new ones. I have not in the past thirty-five years been off the boards of corporations. In forty-three years' active playing of the stock game, it has brought me an average profit of more than a million a year, so I have no grudge against it. That is why I have the nerve to say, unqualifiedly, that Stock Exchange gambling is the hell of it all. As a practical working device the purchaser of stocks on margin is as perfectly in the system's hands as if they had that section of the American people who buy and sell stocks (and they number millions) bound hand and foot and

in the company. This method has the advantage of drawing patronage from non-members and makes a distinction between those who take a risk in investment and those who will not help start the enterprise by investing cash in it. Assuming that the responsibility necessary to make a business a possibility deserves no consideration is the grossest of selfishness. Assuming that the patronage necessary to make a business a success deserves no consideration springs from the same sordid selfishness. The half-dividend plan brings the non-members into the organization where they belong, and keeps the money in the business till the shares are paid. The man who shares the risk of loss, which is not imaginary if the enterprise fails, should also stand to gain if it succeeds, and to a greater degree than he who stands aloof, refusing to make it possible.

The point is that the non-members cannot ask to be put on exactly the same footing with the members who have borne the brunt of battle and assumed all the financial risk in starting the enterprise.

The application of the patronage dividend in cooperative selling of live stock is adjusted on a different basis as there is no need of an expensive company to operate it. The cattle are marked with the shipper's individual number, who gets in return just what his own cattle actually bring, less the actual expenses, including insurance.

In operating cooperative creameries the patrons are credited with so much cream at so much test, making so much butter-fat each; the butter is sold, running expenses deducted, a percentage (usually 1%) is taken for payment for the plant, making improvements, paying interest on capital stock and providing a reserve; then the remainder is paid to

the patrons each month, according to the number of pounds of butter-fat supplied.

In selling fruit cooperatively the usual plan is to pool all the fruit of a given day's shipment, after assigning it to proper grades, and divide the receipts for the receipts of each grade and shipment in proportion to the amount supplied by each grower. The percentage is held out for expenses, etc., and, at the close of the season, if a surplus is left it is divided according to patronage.

In handling grain, some cooperative elevators divide according to bushels of grain brought to it; others divide in proportion to the number of dollars' worth of business the patron does with the company. Many of these elevator companies handle coal, flour, fertilizer, feed, tile, lumber, vehicles, machinery, etc. Profits accruing from this part of the business are usually kept separate and divided among the customers in the supply department.

The same principle applies in operating warehouses in the South and West. All of these are true applications of the principle of patronage-dividend to different forms of cooperation in business, following the line of equity and carrying the golden rule into commerce.

European Methods

Taking Denmark as a typical example of the power and effect of cooperation in buying, selling, financing, and of mutuality of the government and the citizen, the following is given without going into details of cooperative methods in each European nation.

It is a case of the old, old story of necessity being the mother of invention. The Danes were desperate, and willing to do anything to relieve themselves from a dreadful condition, and the government was willing

to help, being driven by every pressure of national need. The feudal system of land tenures held through the mediæval age, and up to 1848—when it was made possible for a Dane to own land in fee simple. When the Napoleonic wars were over, early in the Nineteenth Century, the Danes were reduced to the verge of starvation. Their shipping was destroyed and their commerce ruined. They had lost Sweden, and in 1863 lost Schleswig Holstein to Prussia. The eastern side of Jutland, and the Danish islands in the Baltic, were for a long time almost the only portion of Denmark fit for cultivation. It was plain to the average Danish farmer that, with impoverished soil, no capital and no credit, he could not compete with the large landowners who were beginning to sell great quantities of dairy and meat products to England and Germany. The tendency was to the constant increase of small farmers. The government being dependent upon the farmers did everything in its power to increase the number of independent small farmers, and to this end it made money as cheap as possible for the farmers, by controlling a series of banks managed for the people and not for gain. But the small farmer was not a factor as an individual. To enter foreign markets and hold their own, the farmers must act in concert, definitely, and decisively. They must have capital, they must regulate the quantity and quality the year round. To standardize any product, one must have sufficient quantity and the power to control and regulate it to the market. The situation called forth leaders, and they made it plain that the only means of emancipation was through organization.

So the Danish farmers began to organize cooperative societies. In these, a member was allowed but

one vote regardless of the number of shares.

Each member pledged his product, and became liable independently, plus the unlimited liability of the society, to the government bank for the amount of the capital borrowed.

Today the Danish farmer neither buys nor sells farm supplies individually.

He uses no seeds till they have been tested by the experts furnished by the cooperative society. He buys his fertilizers, soy beans from Manchuria, cotton and meal from the United States, through the cooperative society. He never kills his own hogs, though there are 500 hogs to every 1000 persons in Denmark, but sends them to the cooperative bacon factories, which were founded some time in the '80's, when Germany refused the Danish hog because of an outbreak of swine fever. The Danes instantly founded, with the assistance of the Government, large cooperative bacon factories. In order to make dairying possible the Danes had to regenerate the land exhausted by the lack of scientific treatment.

The organization of cooperative enterprises began at least thirty years ago, but now the Danes have one thousand and eighty-seven cooperative dairies, embracing ninety-five per cent. of all the farmers. They ship nearly one million dollars' worth of butter every week to England. They have thirty-four cooperative slaughter houses. Their cooperative Egg Export Society numbers fifty-seven thousand members, and they ship $90,000,000 worth of butter and eggs a year. Cooperation has raised Denmark from the most impoverished nation in Europe to a nation of home-owning, self-sustaining people. Eighty-nine per cent. of the families own their own homes. Her 2,500,000 people have $250,000,000 in the savings

banks. They have a high standard of education, more agricultural schools per capita and a greater percentage of farmers in the legislature than any other country.

American Methods

Cooperative marketing among American farmers has been desultory. A few crops have been grown under contracts between the farmer and a factory. These were confined to communities adjacent to beet sugar factories and canning factories. This brings about cooperative marketing by the farmer automatically. The character of certain crops renders the contract system imperative. No one would think of putting in a crop of sugar beets without first finding sale for them. The same is true of tomatoes, beans, roasting-ears, etc., when grown for canning purposes. It is a case where foreknowledge is a prerequisite to beginning a crop. The market is definite in price, time and place of delivery, or there is no market at all. No one would care to put his money in a beet sugar factory or a canning factory without making contracts for the raising of sufficient available products for a season's run. When such contracts are signed it enables the factory owners to make sales of the products of the factory to the wholesale or retail trade. This special kind of cooperation is in a class by itself with the farmer, but is common among manufacturers. Many manufacturers first endeavor to make contracts for raw material and for labor before they start out a selling force to market the output. By this means it is possible to run a safe business, as the volume of business will be limited by the amount of orders received through the selling force, the main difficulty being to regulate the contracts for raw material and labor to the demand for the product to be

supplied to the trade. In a few instances, contract farming has been attempted with the staple and non-perishable products, but it has never developed to any considerable extent.

Cooperative marketing of perishable products by other than the contract system has made progress of recent years. More than a half billion dollars are invested in truck farms and equipment. Ten million acres reach the most intensified farming under the truck-farming agriculturalist. Almost all farmers have a garden for vegetables for home use. Incidentally some of these sell a surplus, thus adding to the volume of the trucking business.

Lesson XVIII

What can you say of the different methods and degrees of cooperation?

Can you draw a line of distinction between a competitive enterprise, and a cooperative enterprise?

What would you designate as the individualistic way of marketing?

What is the capitalistic way of marketing?

What is the cooperative way of farming?

What makes the competitive corporations' way of marketing attractive?

What is the other extreme from this as relates to profits?

What is the most approved middle ground for cooperation?

Give advantages of this method.

Which system follows most closely the line of equity?

Explain how cattle can be shipped for slaughter under this plan.

Explain how creameries may be handled under this plan.

Explain how fruit-selling is operated under this plan.

Explain how tobacco can be handled under this plan.

Explain how grain is handled under this plan.

Explain how cotton can be marketed under this plan.

Lesson XIX

What can you say of European cooperative marketing by farmers?

What country may be taken as typical of cooperative methods among farmers abroad?

What was the moving cause of the Danes' organization?

What part has the Danish government played in aiding the farmers?

What requirements are made of the members of their organizations?

Does the Danish farmer buy and sell individually?

Are they scientific farmers?

How long have the Danish cooperative societies been operating?

What can you say of their success?

What are the conditions in Denmark now as compared with the conditions before cooperative organizations began their work?

What can you say of the contract system of cooperative marketing in the United States?

What of cooperative marketing of truck-farm products?

How far do you think it practical to extend farming under a contract system?

Should there be an understanding between all truck-farming districts to the extent that each district would be familiar with the kind and amount of competition it has to meet in each available market?

Is the consumer interested in this the same as the producer?

CHAPTER XIII

Difficulties in the Way of Cooperation

Let us consider some of the difficulties that must be faced and overcome in establishing cooperation.

Perhaps at no point have we failed to insure success more often than in our failure to provide a working capital for enterprises established. Enthusiasm is a good thing, but it will not take the place of cold cash in the business of the Twentieth Century when millions master the marts. Until we are willing to take some risk we will have to contribute to those who do take large risks and control the industries and the commerce of the country.

For example, after an elevator is built by the farmers on some cooperative plan, and they begin to patronize it, some chain of elevators already under one management will put up the price of wheat at the competing elevators with this farmers' elevator, to buy off patrons. The farmers are led to believe that there is "something dead up the branch," as the reason that the farmers' elevators are not giving as much as the competing lines. In two years' time this old game of bribing the farmers to desert their own business gets in its work till it is starved to death. This old trick is played on everything the farmer starts up and usually it works. Every farmer who bites at the bait is a renegade, deserts his own cause and sells out to his business enemy.

A very serious drawback to any system of genuine cooperation in this country is the spirit of speculation that pervades the people generally. Every one wants a profit greater than the average increase of wealth will justify. The law of recompense is an iridescent dream, and has no place in our commercial code. For several years there has been an era of speculation in unearned increment that charms the investor from co-operative enterprises. Monopolizing social values appeals to us more than cooperation.

We have been running after too many things. Dividing our time, energies, money and attention among irrelevant projects, experimenting with every impractical scheme presented, passing resolutions that require more money than the organization ever had to carry out, looking for things to happen that it would take a miracle to perform. We expect too much and do not give credit for the results obtained.

Another reason why it is hard to secure cooperation among farmers is that the expediency of holding non-perishable products off the market as a means of securing better prices has so often been resorted to only result in benefiting those who would not hold that it discourages the loyal members of the holding movement. The loyal man becomes exasperated and he gets tired of holding the bag while the profits go to the recalcitrant farmer who cares for nothing but self. This has occurred in the wheat, tobacco, and cotton belts time and again. Night-riding in the tobacco country grew out of this very condition.

The place-hunter we have always with us. It is so often the case that men who want positions are all right as men, but totally unfit for the particular place which they seek, and it is not always that they seek the place, but have it thrust on them. They go in

with the best of intentions, but make a mess of things. They have friends who won't stand for them to be humiliated by a dismissal, and so a feud is started, which results in a "rough-house" and the business is destroyed. It has proved more than satisfactory for the local managers to be selected for their proficiency after the manner that corporations select their employees.

The lack of a feeling of common interest between the well-to-do farmer and the dependent farmer is a serious hindrance to the cooperation of the farmers as a whole. The prosperous farmer is satisfied and does not care to assume his weaker brother's burden. The dependent farmer feels helpless and does not feel like trying to do anything. So the bulk of the work has fallen upon the middle-class of farmers to develop the plans and support the institutions established.

Some are not satisfied with the progress made. The question naturally arises: Is the case hopeless? Do you surrender?

Liberty means responsibility, and when you shun the latter you are unworthy of the former.

Come up to the requirements or take the consequences. There is no dodging the task without suffering the penalty. Get a ticket or walk the ties. Work or starve. Organize or lose your heritage. Get in line or get out.

Hard orders these, but imperative.

Do You Want Cooperation Enough to Help Make it a Success?

"Words pay no debts—give us deeds."
—*Shakespeare.*

"Go put your creed into your deed,
Nor speak with double tongue."

—*Emerson.*

Life in the main is a question of preference. We do what we prefer to do. We can have cooperation if we want it or we can have the opposite. It is solely a question of choice. Cooperation is a thing to be done and not just indorsed and talked about.

Do you really want it? is the question that will be solved by what you do and not by what you profess or promise.

Cooperation carries equity to its finality. It follows the law of recompense in all transactions. It renders impossible private monopolies. It takes customers into partnership with stockholders and distributors to each according to his due. It gives credit and recognizes as a partner the patron of its institutions as well as those who found them and those who operate them. A genuine cooperator is willing to support an institution which protects him whether he utilizes it directly or not.

The speculative spirit is so strong in the average American that if you propose to take his money and use it to secure equity for the poor, without returning speculative profits to him, he passes you, like the priest and the Levite, on the other side, and leaves the proposition and the task for the Good Samaritan.

Deception, graft, and robbery bring their rewards, and industry pays the penalty. The world has always paid and is still paying an enormous tribute to waste incident to greed, dishonesty and ignorance. The opposite of cooperation is the creed that—

"He may take who has the power
And he may keep what he can."

Which do you prefer?

Cooperation has been misused and misapplied so much that it has, to a great degree, lost its meaning. Grafters hate it, the speculator thinks it a joke, the commercial buccaneer thinks only fools would practice it.

Anything run on the cooperative plan is no "get-rich-quick" scheme. That is why it does not appeal to the over-thrifty as a rule. The money maker is not attracted by a business proposition based on cooperative economics. It looks too slow.

Any mercantile establishment that does not distribute to customers net profits above a just return for capital is not cooperative, and to call it such is a misnomer. A selling agency that does not apply this principle to its business is not cooperative. This applies to wheat elevators, cotton warehouse companies, tobacco warehouse companies, etc. If a man is a member of one of these associations or companies and then does not patronize it, he is not a cooperator. If he sells through other channels, even though he gets more for his product, and does not pay his proportion of commission just the same, to support his own institution, he is not a co-operator.

Now, what are you?

Half-hearted cooperation seldom succeeds. Genuine cooperation cannot help but succeed if it has sufficient members. Tell me, will you, how a business that has a reasonable number of customers can fail when each customer is absolutely loyal to it, and competent men manage it? When you fail to be loyal, you fail to cooperate. Cooperation cannot extend

beyond loyalty. Loyalty is the very heart and pulse-beat of cooperation. To denounce a thing as a failure after you have killed it by your own desertion is not only the height of folly but it is a denunciation of your own conduct.

Genuine cooperation is the religion of justice. It is taking a firm hold, and will prove the citadel of refuge for the wealth producer. Things have to get desperate before people are willing to cooperate. This was the case when the poor weavers organized for mutual help in 1844 in the town of Rochdale, England. From that small beginning has grown the largest commercial firm in the world.

A commercial enterprise cannot be cooperative that does not adhere strictly to the two basic principles of business cooperation:

(1) Absolute loyalty of the member.

(2) A return to him of the net profits made from his patronage.

(3) Members vote—not money.

It matters not whether the company is organized to sell for its patrons, or to buy for its patrons, or to do both; the same principle applies. It is the same in manufacturing, transporting, banking or in any other business.

It is not so hard to incorporate the feature of refunding profits to the members of the society, but it is a task to compel this same member to be loyal to his own institution.

Right here is where the battle has got to be fought out in establishing cooperative enterprises on a permanent basis.

Why It Has Been Pushed Further Along In Europe Than In America

Why do the people of Europe take to cooperation more readily than in the United States? This question very naturally comes to one's mind when it is seen how much further along the Europeans are in cooperative enterprises than we are in America. Is it an evidence of the superior intelligence of the American citizen that he refuses to be a cooperator?

No.

Is the fact that the European is ahead of the American in establishing cooperative enterprises evidence that the European is possessed of a higher order of intelligence than the American?

No.

Then, why the difference?

Because conditions are different.

Europe is old; America is new.

The wonderful opportunities for amassing wealth and the examples of it have stimulated a hope for rewards for individual development of this country and the astounding increases in value have led to fortunes being made by unearned increment on every hand till the country is literally saturated with the speculative mania. No one is willing or content to profit only by meager savings from a moderate wage at hard labor. Each one wants to make a bunch of money quickly without any thought of giving an equivalent. These things being impossible in Europe, the very thought of it has died in the mind of the average citizen.

There it is a question of making both ends meet.

Here it is a question of winning prizes in the stren-

uous scramble for spoils in the game of riding the waves of value fluctuations.

In Europe the economic question is one of saving.

In America the economic question is one of making.

The corporation that exploits the public for its promoters and stockholders is the American ideal.

The cooperative society that protects the citizen from being exploited is the European ideal.

The citizen can stand more exploitation here than there.

When the American loses all thought of being an exploiter he will then get busy to keep from being exploited.

The American does not know the full meaning of frugality.

The European has been taught frugality by long and bitter experiences.

The American is not content with his share of the annual average increase of wealth.

The European is proud if he can get his part of the average annual increase of wealth.

Genuine cooperation is the religion of justice. It is equity carried to its finality. It is equal rights to all and specific privileges to none. It is the friend of economy and production, the foe of speculation and graft.

The most successful cooperative societies of this country were founded on despair. Desperation had to reach a class of a community before they would make common cause and cooperate. They had reached the point of the European when they began to organize for mutual help. Cooperative associations are founded by the poor. Who ever heard of the rich and prosperous starting out with a bold in-

telligence to cooperate for the common good, without any thought of exploiting the public?

Cooperation's message is: "Come, all ye who are weak and heavy laden, and I will give you all you deserve—and no more."

Its gospel is to the disinherited.

Its hand is never raised to strike the just, but it is ever extended to bless those who should inherit the earth.

Lesson XX

Name eight serious difficulties in the way of successful cooperation?

Which do you consider the greatest?

What is the final test of a cooperation?

What does cooperation do that no other method of business does?

Are cooperation and speculation antagonistic?

Which preys upon ignorance and which deals justly with it?

What are the fundamental requirements for successful cooperation?

What usually drives people to cooperate?

Why does co-operation not take so well in America as in Europe?

What is "unearned increment"?

What is meant by "the average annual increase in wealth"?

Does cooperation make for equity?

Who usually found cooperative associations, the rich or the poor?

CHAPTER XIV

Legalized Loyalty

Why do we have contracts, and civil authorities paid by the public and authorized to enforce contracts?

Because it is so often that people will not voluntarily do what they have agreed to do.

Get a crowd of farmers together, under pressure of some commercial grievance, present a plan that will apply to the situation and remedy the trouble. The plan may be workable and it may be unanimously adopted with enthusiasm by the farmers in convention. In the abstract they cooperate. They agree to abide by the plans adopted. They really believe that they mean it.

The convention proceeds to elect officials who are to put into operation the system adopted, and adjourns.

When each one who was a loyal supporter of the means of emancipation in that rousing convention, is asked to come across as he agreed, deserters are found; there is no penalty; they multiply, and loyalty is a joke. The abstract fails to materialize because of the instability of those most concerned.

Strange as it would seem to the calm looker-on, the country is literally strewn with wrecked institutions started by the farmers and destroyed by them, by deliberately refusing to patronize them after they

were started. Not all went down from this cause, but more from this than any other.

To avoid this rock against which so many commercial crafts have crashed, there has been devised a more aggressive and effective system in launching enterprises of a cooperative nature, than that of allowing patronage to depend entirely on the voluntary, spontaneous support and carrying out of agreements and giving of material aid and patronage to the enterprise.

This better plan is to have a form of contract that must be signed by every one joining the association that legally binds him to patronize his own enterprise which his brain has devised and his money established.

The most conspicuous failures of farmers' cooperative associations have not had this clause in their contracts, and the most conspicuous successes have been those which had the binding contract compelling loyalty on the basis of a forfeit for non-compliance with the signed agreement. This is merely a way of avoiding calamities resulting from indifference, whims, childish vacillations, bribe offers by competitors, feudish dissentions based on personal animosities, clannish prejudices, jealousies and enmities and general lack of appreciation of the results of disloyalty.

Look over the roster of those who can show results, have stood the test of time, and see how many of them have as a fundamental in their organization that clause in the contracts binding them together, which compels loyalty and punishes desertion.

Some conspicuous examples are: The California Fruit Growers' Association, the Kentucky Tobacco Association, the Georgia Fruit Exchange, the Gleaner Elevators, etc.

In these organizations the members sign a contract to deliver the product that is proposed to be handled to the association and there is no way of avoiding it. This gives those in charge positive assurance that they will be in absolute control of the product and they can command attention in the markets and make deals to advantage and deliver the goods. Any other arrangement renders the agent helpless in making for the company he represents a reputation for reliability and honesty.

What the California Fruit Growers Have Accomplished

Out in California the citrus fruit growers were getting returns in red ink for their fruit before they got in earnest and organized. The California Fruit Growers' Exchange is the outgrowth of their troubles. It ships annually 20,000 cars of fruit. The system consist of the local associations, the district exchanges and the general Fruit Growers' Exchange. Separate contracts link the three together. The grower contracts with the local associations; the local associations contract with the district exchanges; and the district exchanges contract with the California Fruit Growers' Exchange. There are more than eighty associations covering every citrus fruit district in California, and packing nearly 200 guaranteed brands of oranges and lemons. The local exchanges elect the directors of the General Exchange.

From top to bottom the organization is planned, dominated and controlled by growers for the members. No corporation or individual reaps from it any dividends or private gain.

A part of section nine of the contract between the grower and the local association reads as follows:

> Therefore each of the second parties expressly stipulates and agrees that he will not sell or otherwise dispose of his said fruit to any person or corporation other than to said first party, as herein provided; and that in case he shall fail, refuse, or delay to pick and deliver his said fruit to the first party, within five days after demand therefor, the first party shall have the right at his option, at any time or times thereafter, and from time to time, to enter into possession of said premises and pick his said fruit, or any part thereof, and take the same to the packing-house of the first party, and pack, sell and market the same, all at his cost and expense, which said cost and expense shall and may be retained by the first party out of any monies received from the sale of any of his fruit.

A part of the contract between the local associations and the district exchanges reads as follows:

> The parties of the second part do hereby severally agree to market all fruit now controlled by them or that may hereafter come under their control during the term of this agreement through said first party, it being understood and agreed that the said party of the first part has entered into an agreement with the California Fruit Growers' Exchange for the sale of said fruit in ac-

> cordance with the general plan adopted by said Exchange, to which plan and agreement reference is hereby made, and the same is hereby made a part of this agreement.

A part of the contract between the district exchanges and the General Exchange reads as follows:

> Said second party agrees that if at any time during the life of this agreement it fails to ship all its citrus fruits otherwise than as herein agreed upon, that it will forfeit and pay as liquidated damages to party of the first part, an amount equal to 25 cents a box on all such citrus fruits which are or may be shipped or sold elsewhere than as stipulated in this contract, providing the first party was ready and willing to receive and handle such fruit.

These California Fruit Growers have made a success operating under these rules, and they had made failures working without them. The old saying that rules that govern least govern best will not hold good. That old slipshod way of starting a business and then saying that, "I'll see after it if I want to, and if it does not suit me to stay with it I will do as I please about it" will not work. That policy has ruined many a cooperative dream. Consulting our whims instead of business principles will never develop anything but failures. A cooperative enterprise is your business if you are a partner in it; it is not the other fellow's affair set up to work for whether you work for it or not.

The Florida Citrus Exchange has contracts which compel loyalty. (a) A contract between the Citrus Growers' Association and the members composing it. (b) Between the Sub-Exchange and the Citrus Growers' Association. (c) Between the Florida Citrus Exchange and the Sub-Exchange.

A part of the contract reads: "That the said first party is hereby appointed and made sole agent of the second party, and shall have the exclusive right to market, and shall market, all of the citrus fruit embraced in the foregoing contract." . . Another part of the contract reads: "The actual damages sustained by the first party because of a breach of this contract by the party of the first part are now impossible of determination, and, therefore, the same estimated and agreed upon as fifty cents (50c) for each box of fruit so withheld from the Florida Citrus Exchange by the party of the second part, which sum shall be allowed as liquidated damages in any action brought by the first party to recover damages for the breach of this agreement by the second party, should the first party elect as it may elect to bring such action."

The Hood River Apple Growers' Association in Oregon works under even more drastic rules than the California fruit growers. They have succeeded wonderfully.

Are you ready to be governed by such iron-clad rules as that? If you are, you are ready to cooperate. If you are not willing to abide by the rules and laws of cooperation, then you are not a cooperator.

Experience of the Tobacco Raisers

Under the domination of the Tobacco Trust, the territory growing tobacco was laid off in districts and divided among those who bought from the farmers. The price was gradually reduced till all profits were gone and the farmers were in poverty and distress. Various organizations of tobacco growers sprang up, the purpose of these organizations being to more advantageously market the crop. Unpleasant friction soon generated ill feeling between the buyer and seller, which brought on night-riding with all its sensational consequences.

The price of tobacco was doubled and trebled, but the merry war went on.

The one great secret of the power of the tobacco organization was the principle upon which they operated—securing pledges beforehand. Pledges of this character would not be legal in many States. The Kentucky legislature passed a special act covering this kind of contract. Some States have outlawed mortgages given on crops before they are planted, and some extend it to gathering. So to contract to deliver something that does not exist, and may never exist, at a certain time designated in the future, is legal in some States and not in others. The cotton raisers around Imperial, California, organized a company and signed pledges or contracts to deliver their cottonseed to it, hypothecated these contracts as security for loans and secured capital to put up their own gins and oil mills.

Without the power to secure pledges from the grower the tobacco associations would have been failures from the beginning. An immediate bonus

offered from the outside will get in its work without this protection.

This does not mean, of course, that failures cannot be made, even with this advantage. Bad management can wreck any concern, commercial or otherwise.

Bickering and strife arose among the tobacco organizations and they began to dissolve. The members were envious and jealous of the remuneration that some of the officers were getting. The system of organization government was not as automatic as was desired by many. Those who owned the warehouses and those who advanced money on the stored tobacco were often closely connected with those in authority—sometimes were a part of the controllers—and when good prices were offered they refused to sell. This taxed the grower and was to the advantage of the lender and the warehousemen. This brought on more dissatisfaction. More dissolving and less cooperative power was the result.

Had they been managed with consummate skill, had they retained the full confidence of the membership, had the system of management been held to strict equity, the tobacco growers would have been invulnerable.

What the final outcome will be depends on the sagacity of the members and the exigency of the demand for action. As necessity is the mother of invention, so is desperation often the mother of action. Desperation was the moving force in the organization of the growers, and under fair prices they began to dissolve. Like causes will produce like effects. Why is it that a voluntary cooperation is not spontaneously adopted by producers is a puzzle to economists and managers of large concerns.

There is no more successful organization of producers in the country than the Walnut Growers' Association, of California, and each member of the association agrees when he signs the by-laws to deliver to the association "each and every year during his membership his full and entire crop of walnuts, grown by him and within the district covered by the association. Said walnuts to be picked, cured, and delivered at the time and place designated by the board of directors. A failure to deliver said crop as aforesaid, or a sale of said crop or any part thereof to outside parties, shall subject each member so offending to a fine not to exceed $100.00 for each offense, or to a forfeiture of membership in this association and the rights and interest in or to the property of this association, or both such fine and forfeiture to be fixed and declared by the board of directors of the association at a meeting after due notice to the offending member."

Article VII of the constitution and by-laws of the Hood River Apple Growers' Union reads as follows: "This organization, through its Board of Directors, shall have the exclusive and unqualified power to market all apples grown by any of its members. A contract between each member and the Board is required."

The Georgia Fruit Exchange requires a shipping contract from its members which provides that the member agree to "make all consignments of peaches grown by me during —— years, through the Georgia Fruit Exchange, and pay eight per cent. of gross sales to cover all commission and charges. On orchard and F. O. B. sales, I agree to pay the Exchange three per cent."

Article IX of the Constitution of the East Shore Produce Exchange of Virginia provides that:

> All stockholders in the exchange shall be compelled to ship through the Exchange, but shall be allowed to sell outside at an advance of not less than five per cent. on the price they would receive at the Exchange, provided, however, that said goods have not been received, inspected, or branded. Any violation of the foregoing shall deprive him of the rights and privileges of the Exchange.

Do the European cooperative societies have definite, binding compulsory contracts to compel loyalty to the society?

Most assuredly they do.

Cooperation would have dismally failed in Denmark and in Germany if they had not had the binding contract, the compulsory feature, in all agreements, running from seven to ten years! When a creamery is started each member of the cooperative company signs a contract, that can be enforced by law in the courts of the country, that he will deliver all his milk not required for family use to the creamery, for a specified length of time. Damages can be collected for violating this contract. If a man promises under contract to deliver the milk of a certain number of cows for a specified number of years he is responsible if he sells his farm without obligating the purchaser to fill the contract. If a man agrees to furnish the creamery all his milk, and increases his herd after the contract is made, and sells the milk of the increased number of cows to outside parties, he is re-

sponsible and subject to pay damages. At short intervals all milk is sampled and tested by experts. If any customer's lot does not come up to the standard in quality, with all that quality means, his milk is refused till he makes amends.

Legalized loyalty is the only kind that can be banked on, the only kind that has conspicuously made good, the only kind that stands the test of adversity. Those who would be loyal without signing are no worse off when they sign, and those who will not sign cannot be depended on. If they do not sign a binding contract to stand hitched, just as a man has to do when he gives his note or signs any other legal document, he is looking for a chance to break loose.

Lesson XXI

How has legalized loyalty been secured by some cooperative associations?

Why does the law provide for contracts enforcible by civil process?

What are the contracts binding together the three parties concerned in the organization of the citrus fruit growers in California?

What has been the result of their operations under these rules?

What of the Hood River Apple Growers' Association of Oregon?

How was it with the tobacco growers of Kentucky before organizing?

What was their method of getting control of the crop by the Association?

What social disturbance resulted?

What effect had the Association on the price of tobacco?

What was the main element of its power?

Name some of the things that caused the Association to begin to dissolve?

Could they have been avoided?

What can you say of the rules of the Walnut Growers' Association of California, to secure loyalty?

What has been its success?

What of the rules of the Georgia Fruit Exchange?

What of the rules of the Produce Exchange of Virginia?

What of the law governing certain of these contracts?

CHAPTER XV

How to Organize and Operate a Cooperative Company

How to Distinguish Between a Cooperative and a Copartnership Company

A cooperative company needs to be incorporated the same as a private company organized on the ordinary plan. The first thing one should know before undertaking a cooperative enterprise is the kind and amount of business that may reasonably be expected. One's judgment should not be warped by one's desires, but the cold facts should be digested before an attempt is made to get any one into an association. This information can be secured, getting the statistics of the amount produced in the line contemplated by those who will join. The amount raised for market can be ascertained by writing to the department at Washington requesting a statement of production in a given territory (bounded by statistical districts). The willingness of the farmers to join you in the contemplated enterprise can be ascertained by getting up your articles of agreement and making a personal canvass and getting signers. You should be careful not to arouse unreasonable expectations in the minds of those who are to join you in your venture. You must ascertain whether there is a community of interest in the district from which your association is to draw its support; study the psycho-

logical aspect of the situation; whether the people concerned are homogeneous or the community is rent with neighborhood feuds; whether they are of different nationalities, but capable of organizing, or whether there is an impassable gulf between them; whether the people are of the same race or of different races; if different races, whether it is in that part of the country where the two will cooperate in a business way, or whether it is in a part of the country where they will not cooperate at all. Conditions can be such that cooperation is impossible. Conditions may be such that it is easier to cooperate than to compete.

Usually one of the hardest things for an organizer or the manager of a cooperative association to learn is how to manage the members of the association, how to manage not only the business per se but the men behind the business—the patrons.

It calls for generalship, patience, forbearance, fortitude and long-suffering that few have in the required degree. The man who fills the bill has to learn how to be managed without getting disgusted and deserting. He must take it for granted that he will be suspected, doubted, envied, misunderstood, even by well-wishers. He will be treated to all this by those who do not wish him well, and hate, jealousy and spite—open or secret—added and compounded. The man not gifted with forbearance and self-control is not suited to this kind of business.

Taking it for granted that you have the required conditions, have the right man as a manager and the right kind of a system, there is no risk of failure. Take it for granted that you are going to organize a cooperative company, how would you go about the legal part of the business?

The national government does not issue corporation charters, except for national banks (although considerable agitation is on for requiring certain corporations to take out federal licenses) and the laws regulating corporations differ in the various States. Although the red tape necessary to incorporate an association differs in each State from that in every other State, and the nature of the corporation which is to be created determines some of the details, we suggest the following as a guide to the general requirements:

Write to the Secretary of State giving the character of corporation you wish to launch, and ask for blank application suitable for such corporation. When he forwards you the blanks you get together the required number of incorporators and there write out the application for charter, stating the kind and character of business you propose to engage in, being sure to include everything necessary for the conduct of the business. You do not have to do all that you are privileged to do under the charter, but you can not do anything which is not specified in the charter. It might be well to get blanks from different States, as some States are more favorable to certain corporate business than other States, and you can incorporate in one State and operate in any or all other States; however, you would have a specified habitat in the State in which you incorporated, and this would not be practical in the case of a concern doing a local business only.

After you have written your charter application, you go to your county court clerk and have it registered, and each of the incorporators sign the application under the required regulations. Paying the fees for this you send the application to the Secretary

of State with the required fees. These fees and taxes are based on the amount of the capital stock, and not upon the actual assets of the corporation. When the corporation is established and owns property it will pay taxes on its property, but is not released from the taxes on the franchise or corporation capital stock. When the Secretary of State properly records your corporation and puts the great seal of the State on your charter it is forwarded back to the county court clerk, where he makes note in his records, and then it is forwarded to the one designated by the incorporators, and you are ready for business.

The first order of business would be to write your Constitution and By-Laws. At this point you determine the character of the company more than in the articles of incorporation, except with regard to the kind of business in which you propose to engage. The constitution part is simply telling of what the corporate body is composed. Here you can limit it to the officials or extend it to the entire membership; you can make your own laws, and are therefore in a sense a law-making body. You prescribe the duties of the officials, their powers and prerogatives. Your by-laws lay out the rules of action governing the management, control, operation, etc.; the time, manner, method, and order of electing officials; the relationship of the membership body to the official body, their mutual checks and balances; the disposition of profits and losses, and the relationship of the members to the patrons who are not members of the corporate association.

When you have done all these things you are ready to sell stock, and get in as many members as are needed to make the business a success. You could sell stock before you adopted your constitution and

by-laws, but the chances are that the prospective stockholder would prefer to know the system under which you are to operate before he joins. A few, however, might prefer to join before the adoption of by-laws, so as to have something to say in the making of them. The constitution and by-laws are subject to change by proper process.

We should note the difference between cooperative production and copartnership production. Copartnership unites stockholder and employee. Cooperative business eliminated the capitalists as a separate party; the capitalist is either absorbed as a member of the cooperative business or he is eliminated from the industrial entity. When an ordinary corporation adopts a system of distribution of profits to its employees it is a copartnership in a profit-sharing sense, but not in an ownership or management sense. A cooperative profit-sharing partnership is mutual in government and ownership. The line of distinction is less marked when the employee is a stockholder, with power as a stockholder to have a voice in the management, and also shares in the net profits over and above his regular wages. An ordinary corporation may evolve into a cooperative corporation, and vice versa. In a cooperative company the capital is treated as an employee at a fixed wage, on a percentage basis. It has no voice in management, or ratio of increase or decrease on the rise and fall of profits. In an ordinary, old-line, close corporation the capital is treated as the owner and operator, and entitled to all the profits, and the employees who are human beings are considered in the same light in a business sense that a machine is considered—to be bought as cheaply as possible, turned aside at pleasure, and

have no part in the profits of the business other than the unavoidable wages paid for service.

The copartnership method is capable of infinite variations. As an instance, the Sunlight Soap Works, of Cheshire, England, began a copartnership scheme in 1909 based upon the creation of $2,500,000 worth of "partnership certificates" and the issue of these certificates rank for dividends after the preference shares, in the division of surplus profits, after five per cent. has been paid on the latter. They are not transferable or marketable, and may be canceled by misconduct or when the holder leaves the firm's employ. Special arrangement is made for their exchange for preference stock when the holder dies while in the employ of the firm and leaves a widow or family without the means of support.

To show that the scheme is patronized $273,000 have been paid out in interest or dividends on these certificates to the employees.

A publisher in St. Louis (Mr. E. G. Lewis) organized during 1912 a publishing company and sold profit-sharing certificates to the public on an ascending scale, according to order of purchase. The profit-sharing certificates were not given as a bonus to induce people to take stock. He has sole ownership and control, but one-half the net dividends declared were to go to the holders of the participating certificates for the period of fifty years. They are transferable, and carry no liability to the purchaser.

All public gas companies of England are granted their monopoly under a charter of incorporation which limits the dividends that may be paid on the stock shares, and also regulates the relation between the price at which the gas is sold and the percentage on shares. If profits increase the shareholders not only

benefit, but also the gas customer—for if the dividends go up the prices of gas must go down. By a business arrangement with the employees some companies give a bonus on all salaries and wages, the percentage rising and falling like shareholders' dividends, with the variation in the price at which gas is sold—one-half is paid in money and the other half is used to purchase shares of the company in the open market.

Some companies share all their excessive gain, or rather relinquish the power to extort, by decreasing the price of the output without being driven to it by competition or by law. However, this is seldom done.

In a few instances the manager of a successful plant will distribute to his employees at Christmas time a percentage of the earnings as a gift. This, too, is rarely done.

The operation of a cooperative company differs from the operation of any other kind of company only in the relationship of the members of the company to each other and their relation to the customers of the company. The real business-management part of it is the same as that of any other kind of company. It takes the same energy, push, sagacity, foresight, accuracy, promptness, honesty, etc., that it takes in a like business when run by captains of industry, and when run for personal profit alone.

Other ways of placing profits should be noted: For instance, in Germany the original Landschaft companies would accumulate a surplus or reserve fund made from the excess of interest paid by the borrower over the amount paid out on the bonds based on the mortgages. In many instances the Landschaft used these funds to establish a bank which took up the

bonds—the borrower being paid in bonds instead of cash. The Landschaft was not a bank and did not receive deposits, but by owning a bank it virtually did a regular banking business. This Landschaft bank has no stockholders! So we have the anomaly of a few farmers starting out without a cent of capital stock becoming the owners of a bonding company and a commercial bank with buildings and all equipments.

The question arises, who owns the bank? The profits from the Landschaft were collected from borrowers living and borrowers long dead. Those who have an equity in the bank are the living who have contributed as borrowers and the heirs of the dead who contributed as borrowers—and they are scattered to the four ends of the earth.

Parallel cases could be cited in this country in the operation of mutual savings banks, where the depositors are the only beneficiaries of the profits and are building up a surplus. Such a bank may have a goodly showing of deposits which it loans at a higher rate than it pays the depositor; the difference in rates earning more than enough to defray the running expenses. These surplus earnings stay there for no particular person or persons. No statute or by-law directs the distribution of these earnings to those who have an equity in them.

There is still another way of placing profit; using it to retire stock. If a company is prosperous it may invest its earnings in its own stock until it ceases to have stockholders. This stops the expense of stock dividends. It has thus reproduced itself and cut loose from its founders. Were a factory thus manipulated it would become a mutualized industrial perpetuity at the service of those who used it. Its control would

have to be placed in the hands of a self-perpetuating board of control or board of trust.

Profits may be capitalized: this may be done by investing in additional property or by improving and equipping the property possessed, or by issuing additional shares to the stockholders to cover the surplus and thus convert it into treasury capital.

The nature of the business will determine much of the details of the by-laws. The productive company will have one set of details and the selling company another set of details, and the purchasing company still another set of details, and the company that performs all of these functions will have its more or less complicated set of details.

The by-laws should cover the points of the manner of paying employees, the manner of paying for capital, the consideration given to the three living factors: the employee, the stockholder, and the patron or customer. It should always lay out specifically the regulations as to whether they are to participate in the profits and to what extent. Whether or not the employees are to come in for a percentage of the net surplus, based on wages received; whether or not the stockholders are to share the profits above a stated percentage; whether or not the customers or patrons who make the profits possible are to have a percentage of the profits or whether the management will be lodged in a voting board or in the stockholders. These by-laws determine whether or not it is a cooperative company. See Appendix.

When the capital is secured by selling bonds there is no question as to what is to go to the ones who furnish the money, as the rate at which the bonds sell determines this point.

Lesson XXII

Why do we provide for incorporating companies?

What is the need of a cooperative company being incorporated?

What is the first thing that should be known before undertaking to establish a cooperative company?

If contemplating to organize a selling company, what are the first steps that should be taken?

What would you consider to be the psychological aspect of the subject?

What is usually the hardest part of the problem?

Name some of the essential qualities that the manager of a cooperative company should have.

Where do we go to get charters for corporations?

What is the first step?

What should you include in the articles of incorporation?

After writing the charter, what is the next step in the legal process of securing a charter?

What is the third step?

When you have received your charter, properly sealed by the State, what is the next step to take?

What important part does the constitution and by-laws play in the organization and operation of a corporation?

Lesson XXIII

Draw the line of demarkation between a cooperative company and a copartnership or profit-sharing company.

What position does capital hold in each?

What position does the customer hold in each?

What position does the stockholder hold in each?

What position does the employee hold in each?

Give some of the variations which the copartnership method adopts.

In the business of marketing the output of a factory, or selling for farmers, are the business requirements different in a cooperative company from a copartnership or a close corporation company?

Draft a constitution and by-laws for a cooperative selling company.

Draft the same for a copartnership company.

Draft the same for a close corporation company.

Which is the better company to own and operate from the standpoint of individual profits?

Which is the better to own shares in as a patron?

Ultimately, which will result for the better for society as a whole?

CHAPTER XVI

Finding and Holding Customers by Modern Methods of Marketing

The Task Before the Farmer

If the farmer is to develop a more economical system of marketing than is now in vogue, he will do so by appropriating the knowledge gained by the experience of those now handling the commerce of the world. Passing resolutions in favor of a change will not bring about a change. He is not exempt from the law of the survival of the fittest in the struggle for business domination. New channels of trade are not cut by magic. Nowhere is the power of the personal equation more keenly felt or more forcefully applied than in soliciting patronage and holding customers.

We have the local market, the domestic market, and the foreign market. We have the perishable and the non-perishable products. In each of these divisions the farmer has something to do to get hold of the machinery of delivery from the farm to the furthest point possible toward the ultimate consumer. It is not altogether a question of salesmanship. The farmer must not only know what is wanted and raise it, but he must put his products on the market at the time, and in the form and condition that they are wanted. The farmer has produced what he liked,

and offered it in the form causing him the least trouble and inconvenience. He has done this mainly because of the lack of knowledge of market demands, but also quite frequently from an indisposition to meet the requirements. There are certain lines of work which it is generally agreed cannot be left to the individual efforts of citizens, such as maintaining schools, road-making, maintaining those things of a public nature that clearly come under the operation of a collective function; the economical marketing of farm products by the individual farmer is equally impossible. This is true because the individual is a small shipper, and standardization of grades is impossible with small shipments, and collective responsibility, backed by reputation and business ethics, make the collective or cooperative plan the preferable and more profitable.

In handling the big staple products, such as grain, cotton, tobacco, etc., the first impression has been that the only thing to do was to house it and sit down and wait for buyers. If all the growers of these products had been organized, and could do this indefinite waiting, that plan would work; had even a third of either of these crops been thus controlled, it would have greatly influenced the trade. But the fact is that there never has been a time when one-twentieth of the cotton crop was ever warehoused and controlled by any one body of organized farmers. The same is true of wheat, and, with possibly an exception for a while in the case of tobacco, it is true with the list of crops which farmers have attempted to market in a cooperative way. Forcing buyers to come to producers is not the economical way to distribute to consumers. It is more expensive for the unorganized to buy or sell than it is for the organized. It is more economical for one concern to operate as the selling agency for

all of a product, and to find all the buyers and deal with them, than it is for all the buyers to separately send their buying agents to this concern to buy their supplies. It is cheaper to the consumer for all the berry-raisers of a given district to sell, through one agent, to all the buyers, than it is for all these buyers to send their agents to one town and buy from the raisers direct or from the raisers' agent. The cost of maintaining all these competitive buyers is greater than the cost of sending selling agents to the points where selling agents would be needed. More can be sold by a given number of selling agents than can be bought by an equal number of buying agents; the reason being that a seller can cover more territory than a buyer, as he does not have to limit his operations day by day to so small a territory. A cotton seller representing all the cotton raisers can visit more mills, and sell more cotton,than any cotton buyers representing one mill or a number of mills could possibly buy, of the grades needed by the mills he represents, in a given length of time. A dozen selling agents could cover the spinning districts and take orders for more cotton than a dozen cotton buyers could buy, unless all the mills bought through the agents thus limited, and could buy the entire crop from a few offices.

In selling his output of surplus the farmer has either one of three courses open to him: (a) sell as he has been doing—peddle on the streets or ship on consignment; (b) organize and enter the field just as the manufacturer does; or (c) secure legal pledges from the grower of a percentage of the crop that will control the marketing of it by the organization securing the pledges, and market it as business prudence may dictate.

The first has been tried for ages, and found not to answer the demands of modern conditions and methods of business. The second and third might be co-ordinated into one system and adjusted to immediate demands.

Assuming that the farmer means business, and that he is going to enter the field of distribution by co-operative marketing, we will discuss certain phases of the work which he must understand, and certain business principles which he must follow.

In evolving from the present to any other method of selling, the organization that follows the line of least resistance will be the most successful. The change must be gradual, and many will get impatient with anything but a sudden revolution and preemptory challenge to the conflict.

The farmer must learn salesmanship. He must be willing to use those already trained in the art and thoroughly "on to" their job. To shake customers loose from old business ways and associates is no light thing. The biggest firms know that the mere sending out of salesmen will not necessarily produce the desired result. The creating of a market in new fields involves constructive salesmanship of the highest order. The agents of organized farmers will have to compete with the trained agents of the middle men who are now in the field, and "on to" all the arts of salesmanship. Money will have to be spent in many lines of marketing, advertising by personal representatives, and through the medium of the papers and magazines. Merchants do not spend money on expensive show windows just for fun. It pays. Insuring the customer against bad quality and being true to contract are absolutely essential, but they are not all the requirements. The looks of an article is a

psychological factor in establishing and holding a trade.

To be careless about the appearance of potatoes, the fruit, the berries, the vegetables, the grain, cotton, etc., is to invite your competitor to get the trade, and out-distance you in the contest for patronage. The apple that is rubbed the sleekest will sell the quickest. The bunch of raisins with a little ribbon tied on it will sell before the one that has no touch of daintiness. The potatoes that are rubbed and skinned will be left for those fresh and well kept. The same is true of butter, eggs, anything and everything sold. Chickens all of one breed, clean and healthy, will outsell the motley mixture of mongrels. Knowledge of those with whom one is dealing has a lot to do in holding advantage in the market. Reputation of a farmers' selling organization is as necessary as standardizing a brand in manufacturing.

A farmers' selling organization must compile definite information on the cost of production, the cost of selling, cost of transportation to the various markets, amount produced in each locality, the quality produced in each section, the amount consumed in every part of the world of each product, the quality consumed in each locality. This information will cost time, labor and money. The masters of commerce the world over have such information and no one can hold his own in the world markets without this information.

In developing foreign markets, the idiosyncrasies of the prospective customer, the habits, customs, fashions, prejudices, racial characteristics, religion, government and general characteristics of the people must be studied, and the conduct of the salesman governed accordingly. The man who has no tact in

adapting himself to new conditions will never be a success in finding or creating new markets. Nowhere is the test of salesmanship brought to a striking comparison more than in South America, where European and American salesmen are competing for trade. Germany and England have outstripped the United States in this large field because the German and English merchants were willing to bow to the whims and customs of the people of the Latin Republics.

Lesson XXII

What is a customer?

Who are the customers of the farmer?

How is the farmer ever to assume the task of finding his ultimate customers?

What is the personal equation?

How is it used to secure customers?

What two things are indispensable to get results in trade?

The article must answer the needs of the customer and the salesman must know how to represent it in the right light, and of the two, which do you consider the more important?

Name some of the things that cannot be left to individual efforts.

Is raising an article, housing it, and waiting for a buyer all that is necessary?

Give reasons why this is not sufficient, under present conditions.

Is forcing buyers to the consumers the economical way to distribute?

Explain how the present way of selling perishables is extravagant because of duplication of expenses.

Can each cotton mill send buyers out to hunt up

the kind and amount of cotton it needs cheaper than the agent representing a whole state of cotton raisers can go to the mills and sell the entire output of the farmers of his State?

With the percentage of cotton now under the control of the organized farmers what method of procedure would be advisable for them to pursue?

When his representatives go out to compete with the present trained salesman what may the farmer expect to do to win in the contest?

Where does the farmer "fall down" so often in shipping to a distant market?

Why is he so slack in preparing his stuff for market?

What kind of information must the managers of the farmers' selling agencies possess in order to make a success?

In developing foreign markets what must be taken into consideration?

Give examples of how some have succeeded and others failed in developing markets among foreign customers.

CHAPTER XVII

Selling Fruits

To study marketing from the standpoint of the individual, with no thought of cooperating with any one else, is little better than a diversion. It is just as absurd to expect to get a recipe for successful marketing, and have nothing to do but follow a formula, and be put on the road to fame and fortune. Marketing problems are not solved by square and compass. It is just barely possible for the individual to devote considerable time to the study of markets and be able to turn his information to good account. Organized bodies that move with momentum are masters of affairs in the world today.

In reviewing the history of fruit selling in the United States, we see the law of the survival of the fittest exemplified, and the palm is given to the fruit growers who organize and sell cooperatively. Citrus fruits—oranges, lemons, limes, and grape fruit—are produced in the United States only in the southernmost parts. The one problem in distribution is locating a market and getting the goods there by the economical method. Locating a market sometimes involves creating a market by inducing the people to use the article. An article that is readily perishable is dependent upon an early market unless it can be turned into a by-product and sold in a different form. If the price of apples is low the orchardist

may convert the product into vinegar, dried apple, or preserves; grape growers may convert their grapes into grape-juice, wine, jams, etc.; dairymen may sell milk, cream, butter, cheese or the animal itself; corn producers can sell the grain, or feed it to hogs, cattle, or horses, and market it.

Citrus fruits do not come under this category of convertability; they must be marketed within the fruit year and in their natural state. Florida and southern California produce most of the citrus fruits of the United States. Naturally the Florida grower would look to the eastern markets and the California grower to the western markets. There is sharp competition from foreign markets, as $5,000,000 worth have been imported in a single year.

The fruit growers of the Pacific slope were furthest from markets and were first to feel the pinch of competitive and duplicating methods of marketing. Not being acquainted with the smaller markets, they sent all their shipments to the big markets, with the result that often the price would scarcely pay the freight. The Orange Growers' Protective Union was formed October 24, 1885, only to be destroyed by the usual tactics of the middleman—by tempting growers here and there with higher prices, bribing them away from the Union, and destroying it. The commission men then divided the territory among themselves and eliminated competition. Things got intolerable, and August 29, 1893, another organization was formed, did considerable business and dropped back to a fourth of the crop. Oct. 24, 1895, the Southern California Fruit Exchange was organized. It was more successful. The independent shippers made a deal with the organization to work together, which proved unsatisfactory. The present

California Fruit Growers' Exchange was incorporated March 27, 1905.

This is recounted to encourage others who imagine that it is a hopeless cause to try to organize farmers in a business way, because they have so often failed in business ventures of this character. This exchange now dominates the citrus fruit output of the Pacific slope, and is a success.

This exchange has its own inspectors at all the principal divisions in the West, as well as in the principal markets. The shipments are better distributed, both as to territory and as to time, and prices are maintained at a more uniform level. A claim department looks after all claims against carriers, and is thus able to secure prompt adjustment. It also maintains a legal department. It has instituted a mutual indemnity company, insuring members against loss by fire on the property of the various associations at a minimum cost. It has an auxiliary supply company which looks after all packing house supplies for the members through the local associations. The Citrus Protective League was formed in 1906, and looks after freight rates, refrigeration, legislation—such as tariff, custom house rules, Inter-State Commerce regulation, etc.

The 115 own the stock in a million dollar Orchard Supply Company; which furnishes boxes and other orchard supplies to the members. It owns its own timber-lands and manufactures its own boxes. In 1911-12 it furnished over two million dollars' worth of boxes and orchard supplies.

The central office acts as a clearing house of information. It does not sell, but provides the facilities at cost through which seven thousand growers distribute their products. All offers by buyers are

sent to the central office, from which they are wired to the district offices and to the locals. Acceptances or refusals are sent back by the same route.

All the facilities provided by the local, district and central exchanges are furnished at cost. In 1912-13 the total cost of distributing oranges and lemons to wholesalers amounted to only 3.23 per cent., on the f. o. b. returns, or less than 2 3/8 per cent. on the gross receipts. It usually costs the individual farmer from 7 to 20 per cent. on the gross sales.

The exchanges have secured from the railroads a blanket freight rate which gives them a shipment to New York at the same expense that it does to ship to Kansas City. The cars may be diverted en route and sent to any point at the same cost. This privilege is a signal triumph in the interest of equalizing prices and facilitating proper distribution.

The profits of the company are distributed pro rata to the local association, on the basis of business furnished.

The Florida Citrus Exchange is based on the same plan. To recount their experience would be to repeat in substance what has been said of others in the same business.

The apple market is undergoing a change due to the use of cold storage by the farmer. The speculator is no longer the master he once was. The trade journals indicate the amount of storage engaged by farmers for their apples to be greater than ever before. There is the same need for mutual understanding among those who store for future sale, as well as a thorough knowledge of markets, that is needed among those who ship direct from the trees.

Peaches, pecans, nuts, etc., come under the same regulations in the business of marketing.

Lesson XXIII

What is the prerequisite for economic marketing?

What character of commercial bodies have survived?

What has been demonstrated by the fruit growers in marketing?

What is the difference between locating a market and creating a market?

Name some farm products that can be turned into by-products and some that can not.

What condition confronted the Pacific fruit grower in the early days of the industry?

What has been the outcome of these conditions?

Give an analysis of the California Fruit Growers' Exchange.

Do its officers work on commission or salary?

What disposition is made of profits?

What can you say of similar organizations?

CHAPTER XVIII

Cooperative Dairies

The total quantity of milk reported as produced on farms during 1909 was 5,814,000,000 gallons; there were, on April 15, 1910, 16,069,000 dairy cows on the farms reporting this milk. The total value of dairy products of farms in 1909, exclusive of milk and cream consumed on the farm, was reported as $596,413,000. This represents the receipts from the sale of milk, cream and butter-fat as $372,403,000, and the value of all the butter and cheese produced on the farm, whether sold or retained for home use, $224,000,000.

Selling dairy products in local markets can be done fairly well by direct trade by dairymen with customers; but even here the customer needs protection against unscrupulous dairymen who pour water into their milk and sell watered milk instead of watered stock. Indiscriminating customers who buy watered milk encourage the more honorable dairyman to practice the same fraud in order to hold his own with the dishonest competitor. The law should prevent dairymen from watering milk and the executors of the law should be as vigilant as are government officers in prosecuting "moonshiners."

The system of marketing must be decided by the circumstances. It will be sold either direct, through middlemen, or to manufacturers. If sold direct to

consumers it will be to hotels, boarding houses, and soft-drink stands in bulk, or directly to families by delivery wagons. If sold through middlemen it will go to the wholesale distributors or a cooperative distributing society. If it is sold to manufacturers it will go to creameries, cheese factories, or milk-condensing factories.

It is cheaper to collect, handle and distribute ten thousand pounds of butter under one management than it is to have it done by various heterogeneous agencies, duplicating expenses and handling fifty to a hundred pounds each. This principle runs through the whole process of modern evolution of business. Therefore it is up to the producer to own the machinery of distribution and do his own delivering at cost. To undertake to perform the function of distribution without a system of cooperation is to incur still more expense than is taxed on by professional distributors who are not connected with either the producer or the consumer.

Of course the first thing to decide is whether you are to sell milk, cream, butter or cheese; and whether you are to be a stockholder in a creamery, cheese factory, or in a condensery; also whether to have a local factory to ship to a distant point; if a local factory, whether it is to be owned by those who own the cows or by others; whether it is to begin as a joint stock company or to be run cooperatively.

If a cooperative dairy is decided on, you can do no better than get the rules and regulations, contracts and agreements of some successful dairy, and be guided by the lamp of experience. Cooperative dairies have passed the experimental stage, and no one need grope in the dark as to the best methods to pursue. No set of iron-clad rules can be given gov-

erning any kind of business. Fundamentals can be taught in any science, but the thousand and one little details of application must be decided by the one in charge. And upon these details rest the success or failure of the business more than upon anything else. A law school does not attempt to teach students how to decide every case that could possibly come before a judge, nor to load the student's mind with the thousands of acts of law-making bodies, so that he will have every possible combination of law points at the end of his tongue. Such a course would be impossible, and to attempt it would be ridiculous. The same with the subject of markets. To undertake to go into all the details of every conceivable cooperative business under all kinds of conditions and emergencies would be absurd.

If a skimming station is needed, first estimate the cost and draw up a contract which those must sign who are to join. These contracts should cover all essential points in regulating the conduct of the patrons of the station. Each must accept pay for butterfat and not for milk; must patronize with all marketed milk; must be prompt on time of day delivery is made, or the station is not to accept; a penalty must attach for non-compliance with terms of contract. If a local factory is to be established similar rules are necessary. If a distant market is patronized, it avoids those petty worries that so many are prone to leave to others—and then grumble for having to pay others for assuming the worry. If a local factory is to be established, the first thing to decide is whether it is to be owned by a joint stock company or by the farmers who are to furnish the milk; and whether it is to be run on the partnership plan or the cooperative plan. Rules cannot be too strict against unclean or

impure milk, no matter what plan of organization and operation is followed.

There should be cooperation among the various local societies in marketing their dairy products. In Denmark they have the Copenhagen butter quotation. Think of that! Farm products "quoted" by the farmer. This would be impossible without a central body representing the local societies furnishing their products through one channel. The Danish dairymen sell their butter throughout Europe and even to far-away Japan.

It was found that certain sections of Siberia are well adapted to the dairy industry, and thrifty Danes have emigrated to that country and established a thriving business. Did they organize the native Siberians into the same cooperative system that he practiced at home? No. Why? Ah, the Dane preferred to teach the Siberian how to produce, and do the buying and selling himself!

Lesson XXIV

Give some statistics concerning the dairy industry in the United States.

How many ways are there by which dairy products are sold?

What things must be decided before steps can be taken for marketing dairy products?

Upon what does the success or failure of this kind of business depend?

What is the process of operating a skimming station if a local factory is to be operated? Of a distant market?

Should farmers furnish "quotations" of farm products?

CHAPTER XIX

Live Stock: Poultry

Marketing live stock for slaughter is one of the country's large commercial industries. The volume of business resulting from the shipping of live stock for slaughter makes it a very important department in our industry and commerce. According to the census report of 1910, the total value of the live stock of the United States was $5,296,422,000. During the decade the value of the live stock increased 60 per cent.; the principal requisite for stock raising, land, increased 118 per cent. The greater part of the increase was mere inflation of price, and not due to increase of intrinsic value due to improvement of farms or to increased quantity or quality of stock. The amount of slaughter-food products prepared and processed under bureau supervision for the fiscal year 1911—twenty-seven varieties—was 6,934,233,214 pounds. The export of the same was 975,066,006 pounds.

The selling of the live stock for slaughter can be done in but one of two ways: offering to the buyer who makes it a business to buy and ship, or doing your own shipping. The first way is the easiest way. It does not require any effort or forethought to have a man come to you and buy your stock and pay you on the spot. He will usually have you drive or haul it in to town on a certain day. This is the old way,

and causes the least inconvenience. This buyer offers a convenient man to grumble at about taking your stuff for less than it is worth. The other plan of shipping to the stock markets yourself is impractical except with those who are in the stock raising business on a large scale, and can ship in car-lot loads. The average man, who has a few head of stock ready for the market, has no alternative but to sell to the local buyer, if there is no live stock shipping association in his community.

If a Live Stock Shipping Association is to be formed it should be organized on the contract basis. Those who will not join should be listed separately, when a full canvass is made of the stock raisers available for membership.

One of the greatest obstructions in the way of organizing a company among farmers is that the first thing that is called for is money. He is asked to plank down money for stock in the company or association. He is used to having people put up their own money and then asking him to patronize them. By this means he pays for the organizing by degrees, and then does not own it, but he does not realize it so sensibly, and it saves him some worry. In organizing a live stock shipping association, but very little money is needed, and the most of it can be arranged to be collected from the shipments till the sufficient amount is secured. The routine of organizing and making shipments and dividing benefits is explained in the chapters dealing with these points.

Poultry

The number of fowls in the U. S., in 1909, according to the census report of 1910, was 295,880,-109; the number sold as reported 153,600,169, val-

ued at $75,273,524. Eggs reported in 1910, 1,457,385,772 dozens; sold as reported valued at $281,157,980.

These figures are far below those usually given out as the value of our poultry products. The wildest exaggerations have from time to time got into print as to the value of our yearly crop of eggs and poultry. The above figures are taken from the last census reports. They are for that part which was marketed. For present purposes that is the only part about which we are concerned. It has not been so long since the farmer, who was not making a specialty of the poultry business, had to barter his poultry products at the local store. That is no longer the case. Money is paid in cash for everything that is marketable. The poultry dealer follows the concentrating process, and gathers large shipments for large markets. It is just possible that the salary or commission that would have to be paid to the manager of a poultry shipping association would amount to as much as is made by the professional dealer.

Even though this might be the case, it would not bring about such a standardization of grades for bringing special trade to the individual farmer, as can be developed under a properly regulated shipping association. It is advisable to let each farmer have his own stamp, and send his eggs and poultry to market under his stamp and directions. All eggs must be "candled" at the receiving station and classified for shipment. Where car-lots of fowls are shipped they may be graded and classified by color, size, etc., in loading the car, and each man credited with the number he has in each grade and paid accordingly when sold. It does not take a very high order of business experience to ship a car of stock

and allow them to take their usual course at the big markets. Neither does it take so much acumen to handle fowls in a similar manner. Nevertheless a blundering bunglesomeness can cause loss in the simplest operations of business, and business tact is required even in the ordinary commercial affairs. There is always a chance for the play of business genius in marketing, whether the market be local, domestic, or foreign. So pick your shipper with care.

Lesson XXV

What can you say of the importance of live stock raising?

What ways are open to the stock raiser for marketing them?

How would you organize a live stock shipping association?

What advantages has a stock selling association?

What can you say of the value of poultry products?

What can you say of the process of shipping poultry?

Where has selling of dairy, poultry and meat products reached its highest development?

CHAPTER XX

Tobacco: Peanuts.

No luxury produced on the farm is so generally used as tobacco. It can be kept in manufactured form indefinitely. Restricted to areas in certain irregular belts, determined more by soil than by climate, and used all over the world, its price could be easily controlled by the producer through proper methods of distribution. This would require that the farmer own the tobacco till it is placed on sale in the finished, manufactured form. The manufacturer of tobacco might as well be the farmer as an intermediary trust—even though that trust be in a "desolved" condition.

The tobacco trust has made a large percentage of its millions by juggling its stocks on the stock market. In fact most of our millionaires made their millions by stock manipulation or some form of unearned increment. By divers moves of the dividend features of the tobacco trust the stock of the company went from 117 to 63, and then went kiting to 180! This kind of high finance is so attractive that ordinary methods of realizing profits on a legitimate business looks very tame. The gambler who loses is no better than the gambler who wins. Morally speaking, the investor who jumps at a chance to win in a game of price manipulation or a hurricane of speculation, more than honest industry will produce, is no better than

those who get his money. A man that enters a scramble for unearned increase and loses, is just as much to be condemned as the winner in the wild scramble. But the fact that the investing public, lured into these stock speculations in the hope that they can make a bunch of money without earning it, are no better than the schemers who concoct the schemes and bank the accounts, is no excuse whatever for the toleration of such demoralizing practices.

By the farmer entering the field and doing for himself what it is his business to do—own and operate his own manufacturing plants and conducting his own marketing system—stock gambling and filching investors would be at an end.

There are immense profits in the tobacco business, and it should go to those who do the work and not to commercial buccaneers. Personally, I think it is a pity that it is used at all, but the habit is so strong that its victims will deny themselves necessities rather than deny themselves of this weed. Governments elsewhere recognize that an easy way to get money is to tax tobacco, and it carries an immense load of government tax both in America and in foreign countries.

We discuss the selling of tobacco by the farmer under "Legalized Loyalty," to which the reader is referred.

Peanuts

So far as is known, that part of the world with a written history—the Eastern half—got along from the dawn of history down to the discovery of America without corn (Indian maize), Irish potatoes, peanuts, some other useful vegetables, and a variety of animals —and the luxury tobacco. Maize was already domesticated and immediately came into use when Euro-

peans settled on the continent. The native potato was carried to various countries and cultivated. It flourished so well in Ireland that it took the name of Irish potato, in contra-distinction to the sweet potato, and is now (next to rice) the leading human food product of the world.

The peanut did not become of commercial importance till about 1870. The present retail value of our peanut crop is around $15,000,000. Its belt in this country is nearly the same as that of cotton. New uses are continually being found for the peanut and its products. In addition to the great quantity of peanuts used in the ordinary way, vended in 5c packets, thousands of bushels are shelled for use in the manufacture of confections and food products.

The farmer usually grows his peanuts, gathers them and sells them in the rough to the local buyer. The extent to which the pods must be cleaned and graded depends on the use to which they are to be put. If intended for the ordinary vending purpose they have to be "recleaned." If they are to be shelled and sold in bulk they need very little recleaning.

So long as speculators assume the carrying function, do the preparing, displaying, and distributing, they will get the lion's share of the profits. The peanut growers should own their own recleaners, and do their own distributing through their own agents. This can only be done through organization.

For vending purposes the large-podded varieties are in greatest demand—such as Virginia Bunch and Virginia Runner. The Spanish—developed in Spain but not indigenous there—and the North Carolina are used for this purpose. For shelled peas the smaller nuts of the large-podded stock are employed, and the greater part of the Spanish, the North Carolina and

Tennessee Red varieties. A selling agency for the peanut growers of the United States would be worth big money to them. The amount of each variety demanded, and the use to which they are put, and the place of the demand, should be ascertained and furnished to the growers by their own association. By this system the valuable advice could be given those who were making specialties of some of the varieties and thus avoid over-supplying some and under-supplying others. Information is at the bottom and constitutes the foundation of all successful undertakings, and the information must be possessed by those concerned, or it is valueless for practical purposes. This renders it necessary for the producer to have all the information concerning distribution and demand at his finger's end in order to get the greatest returns for his time, energy and investment.

Lesson XXVI

What can you say of the use of tobacco?

What determines its place of production?

What means does the tobacco trust offer for money-making, other than profits on tobacco?

How is tobacco treated by most governments of the world?

Name some of the important agricultural products that are indigenous to America.

What can you say of the use of peanuts?

How are they handled?

What better way is there for the farmer to handle his peanuts?

CHAPTER XXI

Grain: Cotton.

Experience of Farmers' Elevators

When an elevator concern buys grain, and pays all the market will allow, there is no profit left for the stockholders—therefore no dividend. This applies to a farmers' elevator the same as to an old-line elevator. The manager of the farmers' close corporation realizes that he must make good to the stockholders if he holds his job, and this compels him to make terms with the old-line buyers and not compete with them in buying at a closer margin to the selling price. This condition destroys the basic principle of cooperation. It places the farmers' elevator right where the others are, even though the others be owned by exchange gamblers. So the farmer who patronizes the farmers' non-cooperative elevator is no better off, unless he is a heavy stockholder, than he was before the farmers decided to go into the elevator business. A dividend looks just as good to a farmer as it does to a merchant, banker, mine owner, railroad magnate, or trust captain of industry.

Scores of farmers' elevators were built in the wheat belt, and put out of business by the old-line elevators, because the farmers would not stand by their own enterprise after they had put their money into it, and thought they would be friends to themselves. Most

of these elevators built or bought by the farmers were called "cooperative," but they lacked the vital principle of genuine cooperation, and were the prey of those who knew how to put them out of business.

Elevators have to be in touch with the markets. They buy wheat from and sell for the farmer. When a big concern wants to put a small one out of commission, the big concern sells cheap if it is selling, and pays high if it is buying, in the territory where the small concern is operating. A system of old-line elevators will operate to pay more for wheat than a single elevator operating independently can possibly pay and make expenses. The price of wheat is raised at the point where the new competitor opens up, and the price is lowered a fraction at a dozen or more other places where there is no competition, to make up for the loss sustained by over-bidding the farmers' elevator. The farmer bites at the bait and sells to the old-line company. The loss of the commission is not the only damage by the farmer deserting his own elevator and selling to his competitor. The farmers' elevator loses its trade connections and its trading prestige and power, and the same loss is just so much gain to the old-line elevators.

Slowly, but surely, the wheat raisers are learning by bitter experience the folly of this method of trying to build up their own marketing facilities. Many farmers' elevators are adopting the real cooperative plan of requiring the members of the farmers' elevator company to pay in the same commissions to the elevator on the wheat sold to other buyers that is charged for the wheat it handles for them. If he fails to abide by the agreement the value of the commissions on his crop of wheat is taken from his stock

in the elevator. If he persists till all his stock is thus absorbed, he is no longer a stockholder.

When the old-line elevators find that their new competitor in a town is being operated on the above plan they are ready to sell out and leave the field. They know that they cannot destroy that kind of a rival. The farmers' elevator would have the same profits at the end of a year's business if it did not handle a single bushel that it would if it handled every bushel raised by the stockholders. They know it will be so next year and the next. If the old-line elevators pay more than the market will justify, the builders of the Cooperative Farmers' Elevators sell their wheat to them and hold on to their elevator as a means of self-defense, while the war is on, and proceed to do business when the battle is over. This kind of cooperation is built upon a rock, and when the rains beat and the storms rage, it stands majestic and steadfast through it all.

The speculative spirit and the cooperative spirit are antagonistic and cannot work together. A co-operative enterprise is not a profit-making concern, but it is a loss-saving institution. This fundamental fact must be realized and appreciated in order to develop militant cooperation. The one great task is to get people to see that it is more profitable in the long run to save losses than to get dividend checks from one's self—or pay to others. Anybody can see a dividend check, but it takes business perception to see a loss that is saved.

The Cotton Raiser and Cooperation

A Farmers' Warehouse is Not Necessarily a Co-operative Warehouse. What Real Cooperation Means.

Perhaps as great efforts have been put forth co-operatively to market cotton as any farm product; but the efforts have been desultory. There has been no general plan carried out, and a basis for permanent success established, under a comprehensive system of genuine cooperation. It is astonishing how many can be bribed to patronize old channels of trade, owned and operated by parasites, just for a pitiful temporary gain, offered for the purpose of disreputing any new venture, and refuse to patronize a system owned, operated and controlled by themselves.

There are about 1,600 warehouses in the South owned and operated by farmers. Most of them are owned by individual corporations, organized for the purpose of building and operating the warehouses. These small corporations, ranging from $1000 to $25,000, are the property of stockholders who raise cotton, and a few who do not raise cotton, but are interested in the handling of cotton to the advantage of the farmer. Many of these companies built cheap structures and had not a sufficient volume of business to sustain the enterprise, and have gone out of business. The more fortunate ones, which were better located, better managed and better patronized, are thriving.

These local warehouses do not buy cotton, as elevators buy wheat, but simply store it for the owners

and dispose of it as directed. Some are run on the cooperative plan and others are close corporations.

The local warehouses that do not divide the net profits with members who are customers have no claims to be cooperative, but are close corporations for gain only. Some of them are earning 50 per cent. for the stockholders.

Who pays these dividends?

Those who patronize the warehouse by storing cotton pay these dividends.

Such a warehouse company is skinning its patrons who are not stockholders for the benefit of the stockholders. Does it make it any better that the corporation is owned by farmers? If the patrons of the warehouse are stockholders, they are skinning themselves just for the glorious privilege of having it handed back to them in the form of a dividend check. In this case, the large stockholder has the advantage of the small stockholder if the small stockholder furnishes as much patronage as the larger stockholder.

The prosperous, non-profit sharing, close corporation warehouses are least willing to consolidate with other warehouses. Local managers do not want to be subordinated, stockholders do not want to run the risk of having their dividend checks cut down, and suspicion attached to relinquishing local control.

Those warehouses that have not been successful are willing to combine, but a combination of naughts would result in naught. Lack of working capital is the point of the failure of most such enterprises. Where confidence is lacking capital will not enter. All the warehouse companies went into business without any guarantee whatever, other than enthusiasm and good will, that they would be patronized and supported.

It does not necessarily follow that a close corporation with no Rochdale feature is unfair to its customers. It may operate on so close a margin that there would be no net profits above a reasonable interest on the money invested, to distribute. A corporation operated on the cooperative plan might have no profits to distribute to its customers, and in this case there would be no difference in benefits to the customer between the close corporation and the cooperative corporation.

Cooperation hands back to the cooperator every cent that his commodity brings on the best possible market, less the actual expense incurred in placing that commodity. It pays only a fixed return on the capital stock actually paid in, just enough to offset its normal earning power in the money market. That eliminates the profit-making feature which attaches to the close corporation, and individual enterprises launched solely for personal gain. No man or combination cares to buy up a cooperative concern as the speculative inducement is cut off—this frees it from the grafter and the domineering capitalist. It also avoids prosecution under an anti-trust law. A truly cooperative concern is absolutely void of either profit or loss—to cooperate is to operate at cost.

Importance of Small Savings Overlooked

Each one thinks only of the little amount it would mean to him, and does not estimate the advantage of throwing so many more millions of dollars a year into his part of the country. If he could realize this he would be willing to abide by the plans he has devised to place his crops in the hands of his own distributors, just as all great manufacturers place their

business under the supervision of specialists, and thereby hold the trade against the crude methods of the past.

The farmer places too little stress on saving a few cents a bushel of grain, a few cents on the hundred pounds of cotton, tobacco or meat. The cotton farmer thinks so little of saving half a cent a pound on lint cotton that you cannot interest him in a scheme that promises only that amount of saving. Nevertheless the half cent a pound means the tidy sum of $30,000,000 a year in the pockets of the farmers who cultivate to one plant an area just the size of the State of Iowa. A saving of one-tenth of a cent a pound would mean $6,000,000—a saving of only 50 cents a bale.

When we reverse the picture it looks different to the business man. For instance: take 100,000 farmers selling a certain article to speculators. Suppose, by virtue of a monopoly of the trade, the speculators —comparatively few in number—levy a toll of one cent a day on the 100,000 farmers. This would be $1,000 a day to the speculators. By virtue of the same monopoly the speculators also levy a tribute of one cent a day on an equal number of customers; that is another $1,000 a day. Now suppose that, in addition to this tribute, the speculators, working systematically, are making one per cent. on a *volume* of business netting $1,000 a day. We thus have $3,000 a day profit to the speculators. Now we have a pecuniary motive actuating the farmer to run his own business of one cent a day and an actuating motive of $3,000 a day to a coterie of speculators well organized to maintain this business.

Lesson XXVII

What can you say of the relative value of the ordinary and the cooperative elevator in handling grain for the farm?

What is the usual method of attack of close corporations and companies operated by farmers on the same plan?

Wherein is the cooperative elevator the more effective system for the farmer?

What is the function of an elevator?

Draw the line of distinction between the speculative spirit and the cooperative spirit.

Why is it harder for people to see and appreciate a saving of loss than for them to see and appreciate a reduction in cost?

Why is it that a reduction in cost is not attractive unless it is special and personal, and not general and impersonal?

What can you say of the cotton raiser and cooperation?

What is the difference in business methods between the elevator and the warehouse?

Lesson XXVIII

Why is it so hard to instil into the minds of the average American the idea of cooperative distribution of profits?

Why is it so difficult to induce the owners of warehouses to consolidate them?

Are close corporations necessarily unfair to their customers?

In what light is capital stock viewed from the standpoint of cooperation?

Why do capitalists not care to own a cooperative corporation?

Is such a corporation ever prosecuted as a trust?

Why is it that small savings are overlooked?

Does it make any difference to me whether I help save more money for my neighbor?

When savings are concentrated, how does the picture look?

CHAPTER XXII

Marketing Perishable Produce

A crop worth $400,000,000 is worth considering. There is no market that is not available for perishables. The strictly local market is open to the vender of vegetables. The domestic trade is largely on food stuffs, perishables in varying degrees. By cold storage perishables are shipped to foreign lands.

The local market is usually run in a slipshod, competitive and wasteful manner. Too much time is wasted and too many venders divide the business till no one makes anything, and the consumer pays exhorbitant prices just because the system is rickety, uneconomic, haphazard and wasteful from the time it leaves the farm till it reaches the table of the consumer. A town of 10,000 inhabitants is large enough to abandon the old hawking and peddling system of marketing vegetables. There should be a commissary department in the city government and a place laid off for a receiving station. Orders should be sent in by customers a day ahead and all goods received, inspected and graded. The inspector should grade by number and not know whose products he is grading. When sufficient amount is delivered to fill all orders no others should be received. These coming later should be notified and instructed to ship to some other market. This would have to be done by a representative of the farms, as the city buyer gloats over a

glutted market. Goods that will keep for several days could be treated differently. The customers wanting delivery could be listed and charged accordingly. Those preferring to do their own delivering could be charged accordingly. There should be both a retail and a wholesale department, and prices made according to the relative cost of each.

When a city is large enough to have shipments made to it rather than depend on local supply the system would have to be adjusted to meet the different conditions. There could not be a rule, perhaps, to stop shipments when the supply was full, but when the normal demand was supplied it could be required of the department to furnish regular shippers with the information, and avoid a waste by oversupply.

Whether this distributing system be owned by the city and directed by a department or the city government, by a private company under supervision of legal authority, by a society of producers, or a society of consumers, it could serve the purpose in view. It is just as possible and as feasible to incorporate a company to furnish food to a town as it is to incorporate a company to furnish water or light to the same people.

Districts which produce more than the local market can use should be organized in order to make the best arrangement with the railroads, with commission men, or place a representative in the large market to which most shipments are to go, and have him do the distributing just as commission men do. The manager of the local shipping society must understand markets and marketing; he must study consumers and know their demands; he must know how to attract customers by displays, and by throwing a personality into his business; he must keep up with the current

movement of those products he is handling, and the substitutes for same; he must understand the storage business, the transportation problems, and the commission business. And the most of this must be learned by actual experience. The theory is a splendid help to one entering the practical part of the work, but it will not suffice. But the theory may be understood, and the practice may be sufficient to familiarize one with the details, and yet it is quite possible to make a failure—because the man has no knack at handling folks.

Example of Success

Nothing seems to teach so impressively as a working object lesson. We will take the Eastern Shore of Virginia Produce Exchange as an example of a successful farmers' produce exchange. This exchange was organized in 1899. It had in 1913 a business of $4,000,000. It ships potatoes, sweet and Irish, cabbage, onions, and other vegetables. Products are sold f. o. b. shipping point, on quotation furnished by wire.

The exchange is made up of thirty-three local associations with as many directors. The head office and the local shipping points are in close touch by wire. The general manager is charged with the duty of handling all the produce placed in the custody of the exchange, whether for consignment, storage or sale, and he is empowered to buy, sell, consign, or store any product left with him. He is required to advise local agents as to whom they are to consign to, and to notify them of the prices at which goods were sold at each station for the previous day. The general manager has power at any time to investigate the work of local inspectors, and to suspend for derelic-

tion of duty. The general inspector is required to visit each local inspector once a month.

This organization has proved itself capable of handling those who will not join, or cannot become members for any reason. For the non-member the exchange agrees to ship, by making a flat charge of one dollar for a "shipping privilege." Tenants are allowed to ship if the landlord is a member of the association. The negro is not admitted to membership, but his stuff is handled as a non-member.

Any farmer may become a member by buying one share of stock. No one can hold more than ten per cent. of the capital. At present the capital stock is $50,000, divided into $5.00 shares.

If two thousand organized truck growers can do these things others can do likewise. Suppose all similar organizations in the country would get together and form a National Clearing House having general supervision over all truck products, could it not more systematically distribute the crops than is now done? There are only three thousand counties in the country, and less than half that number have this character of crops to market any one day. With a National Clearing House telegrams could be sent every day from all local associations to district associations and from district associations to the National Clearing House, and thereby all necessary information as to supply and demand would be at the finger's end; and from the central clearing house the current movements could be directed.

"Big scheme?" Sure, and so were the oil trust, steel trust, meat trust, tobacco trust, etc., big schemes which *worked.*

The longer we postpone adopting a more econom-

ical method of distribution the longer will we carry the burden of wasteful methods.

Lesson XXIX

Name some perishable products.

Name some very perishable products.

Name some that are quasi-perishable.

Do you know of any products that are altogether non-perishable?

What can you say of the value of those products classed as perishable?

What would be your idea of a commissary department in a city government?

What qualifications do you think a manager of a shipping society should have?

Give an example of a successful shipping society.

What are the duties of the general manager?

How does this company handle the crops of those who will not join or are not eligible?

How could a National Clearing House be established?

Do you think such clearing house should be established? If so, why? If not, why?

CHAPTER XXIII

A Division of Markets Operated by the National Government

The economics of distribution concern every citizen. To ascertain the statistical facts connected with distribution and disseminate them often enough to be of service to the people would certainly not be overreaching the proper functions of government.

"Packers have so firm a grip on retail meat dealers that the retailers fear to buy beef raised by farmers. The question will be how the small raiser can market his stock at a fair price. Dealers will not buy home-grown beef through fear that packers will later refuse them a supply."

This was the statement made by a New York farmer in answer to an appeal before the State Agricultural Society for the small farmer to raise beef for the market.

Where there is no municipal market there is usually a tariff wall imposed against the farmer in the form of a huckster's license which keeps the farmer from selling to the consumer. This was the situation in Los Angeles in 1913 when the city decided on establishing a municipal market where the farmer could bring his produce without this huckster's tax. The municipal market is quite a convenience to hotels, boarding-house keepers, and those who live close to the market. There are those who live at a distance and must have their truck delivered, which compels them to pay more than others, as the delivery charges must be added. If the farmers were allowed to peddle from house to house this charge would also have

to be paid, as the farmers' time is worth as much to him as that of the deliveryman who serves the market-house. The women do the marketing and the average housewife can't go to market every morning. The duties of the household make it impossible—getting breakfast, starting the children to school—perhaps there are little children that she cannot leave—so she orders by phone and has the order delivered. There seems to be no remedy for this. For the farmers to do their own delivering would fill the streets every morning with competitive venders who would sell at all kinds of prices, and losing time and selling out at any price to get away. This would often be to the advantage of the city buyer, but it would not in the long run as there would not be the steadiness of supply that the city market furnishes.

Cincinnati had a Housewives' Cooperative League composed of several hundred housewives who purchased in car-lots staple products direct from organized producers who can furnish in car shipments. Other articles were purchased in case-lots. Their credit was good and they are circumventing much of the ordinary waste in city distribution. It failed for lack of proper connection with organized growers.

There are certain facts which the producing and consuming public need to know and which cannot be secured, tabulated and published as timely information without considerable cost. When it is collected by private parties or concerns it is for private use, and against the interest of those who do not possess the information. The only way the entire public can profit by this information is for it to be secured and given out by the government itself. On this information the producer and consumer can establish a system of distribution that will save millions every year.

What is needed is exact information concerning the production and consumption of farm products and the market value of same in every available market—furnished every day by the government—like weather reports.

American farm products for 1912 reached the colossal amount of $13,000,000,000. Of this amount the railroads received $495,000,000, or 3.8 per cent.; the legitimate expense of selling was $1,200,000,000, or 9.2 per cent.; the waste in selling was $1,560,000,000, or 12 per cent.; dealers' and retailers' profits, $3,745,000,000, or 28.9 per cent.; the amount received by those who produced this, who toiled and labored that it might be given to the world, received $6,000,000,000, or 46.1 per cent.

The International Institute of Agriculture, supported by the nations of the world, with habitat at Rome, has begun publishing its summaries of the world's crops—furnishing a balance wheel to the markets of every zone.

These reports need to be supplemented by the market reports and furnished to producers and consumers. Also such other details as to probable demand and the probable supply as would be of service to any concerned.

We have reports galore now, but not the service that is needed. The exchanges are operated by those whose interest it is to keep both the producer and consumer ignorant of the real conditions. Those articles of commerce handled without exchange are marketed at a disadvantage by the producer and bought at a disadvantage by the consumer. Unless controlled by a trust, the prices are the caprice of chance without a thorough knowledge of the available markets. The producers of truck-farm products

have no way of knowing the markets without each spending more for the information than he can afford to pay. The present haphazard and expensive method of distributing the world's supply to the world's consumers is a travesty on the business sense of the age. It should be reduced to a perfect system like the commissary department of an army and operand operated for the benefit of all the people. To hide the facts concerning production or consumption is an economic crime.

The high cost of living has become world-wide and brought on in an intensified form the old prejudice against middlemen. Segregation of business departments is the only process that will solve the question of commercial intermediaries.

On the question of the distribution of labor, Germany, England, and several States of the Union have taken advanced steps. If the demand and supply of labor is a subject for government to concern itself about for the benefit of society, it is equally the duty of the government to furnish like information concerning the supply and demand of the products of labor.

Germany has in operation a system by which a laborer anywhere in the German empire can secure information that will get him employment in any other part of the Fatherland. Those who need laborers can readily secure them if they are available in United Germany.

England has just inaugurated a similar system, and has already secured employment for thousands of people under its operation. Lockouts, strikes and labor riots, with the drafts on charity incident to such, have been mitigated since the introduction of

this remedial and progressive means of matching conditions in a broad and liberal spirit.

The State of New York put into operation an employment system as radical as it is new. Through eight main offices, each with various branches, a statewide effort will be made to secure information as to the localities and industries where workers are needed, and effect a prompt and efficient distribution of labor.

California has passed a law which provides that the head of a family, failing to provide, shall be put to work on the highways at $1.50 a day.

Wisconsin has this problem under its Industrial Commission and has a good record to its credit.

Large employers of labor who were skeptical regarding the possibilities of the department have been converted; now, when they need expert millwrights, machine hands or common laborers, they telephone the free employment office, and before the close of the same day their needs usually are filled. Farmers are using the free employment office in obtaining farm help, and the Commission at this time is attempting to perfect a system by which country bankers will act as agents between farmers seeking help and the various free employment offices.

As to the actual accomplishments of the free employment offices, the year's statistics give a faithful story, from July 1, 1911, to June 30, 1912, the free employment offices in Milwaukee, Superior, La Crosse, and Oshkosh received 16,916 applications for work. These offices referred 16,182 persons to positions. In this same period 17,329 applications for help were made by the employers. If the average of increase in this branch of the Commission's work is maintained in the next two or three years,

the results will be of stupendous importance to Wisconsin industry and to the welfare of the working classes. The actual money saving will be large, for the reason that men out of work, instead of spending days and even weeks visiting dozens of factories in search of work, will go straight to the free employment office where they will find all positions bulletined.

In dealing with the distribution of the products of labor, less progress has been made; the obvious reason being that a product does not raise a disturbance when neglected and not used, while an individual does. It was the high cost of living that has forced to the front for serious consideration the subject of the distribution of the products of labor—especially food products. Certain municipalities have made practical attempts to mitigate the evils of our present unsystematical and wasteful methods.

The State of New York appointed a Committee on Markets, Prices and Costs, being a subdivision of the State Food Investigating Commission. It made its report in August, 1912, with recommendations for legislative action. The committee found that the marketing agencies of Greater New York are covered by thirteen classes of food distributors, ranging from the municipal wholesale markets, the wholesale markets conducted by railroads and steamship lines, and the farmers' markets, to the corner grocery and pushcart types through the intermediate grades or stores. The committee reached the conclusion that the large retail unit of food department store buying direct, receiving direct, and selling direct, is the best economic type in point of efficiency, minimum of waste, satisfactory distribution and due rewards for management and capital.

The Committee recommended that the charters of

the various cities of the State be amended so as to provide for a Department of Markets, charged with the economic and sanitary supervision of food supplies used in the municipalities. It should also be charged with the duty of publishing accurate statements of market needs and prices, to be sent to producers of food supplies, so that they can be protected from extortion and offered facilities for marketing. The committee estimated that the annual food supply of Greater New York cost at the transportation terminals $350,000,000, and that it cost the consumers $500,000,000. The committee estimated that the suggested substitution of large unit stores capable of supplying twenty-five to fifty thousand people, and each with adequate storage facilities, would bring about a system of food distribution at a cost of 15 per cent. for the separate wholesale and retail systems without delivery and 35 to 40 per cent. with delivery.

This would result in a saving to New York City alone of $60,000,000 a year, or 12 per cent. of the present retail price. This committee's estimates, we take it, were approximately correct, and show something of the immensity of the task and the savings involved in reducing distribution to a scientific basis. Well administered terminal markets exist in almost every European city.

Municipal markets are in operation in several cities and have not been abandoned after being tried. The city of Dubuque, Iowa, has a municipal market which gives the producers more and enables the city buyers to get their produce cheaper, than in other cities of equal natural advantages.

Des Moines has taken a hand in delving into this field of investigation with good results. Indianapolis,

Indiana, has treated the country to an object lesson in an emergency.

The Farmers' Educational and Cooperative Union of America was organized in 1902, and rapidly spread over half the States of the Union. Its membership was confined to farmers, but soon crossed the million mark in its initiations. In its constitution and by-laws it sets forth the following Preamble and Declaration of Purposes:

"In the course of modern industrial development we find it necessary that the farmer not only apply the principles of scientific agriculture, but that he systematize his business by cooperation and apply the principles of scientific commerce.

"Expensive and wasteful methods of exchange have been a constant drain on the farming class, and speculation has been allowed to demoralize markets and prevent the normal operation of the law of supply and demand.

"To enable farmers to meet these conditions and protect their interests we have organized the Farmers' Educational and Cooperative Union of America, and declare the following purposes:

"To secure equity, establish justice, and apply the Golden Rule.

"To discourage the credit and mortgage system.

"To assist our members in buying and selling.

"To educate the agricultural classes in scientific farming.

"To teach farmers the classification of crops, domestic economy and the process of marketing.

"To systematize methods of production and distribution.

"To eliminate gambling farm products by boards

of trades, cotton exchanges, and other speculators.

"To bring farming up to the standard of other industrial and business enterprises.

"To secure and maintain profitable and uniform prices for cotton, grain, live stock, and other products of the farm.

"To strive for harmony and good will among all mankind, and brotherly love among ourselves.

"To garner the tears of the distressed, the blood of the martyrs, the laugh of innocent childhood, the sweat of honest labor, and the virtue of a happy home as the brightest jewels known."

This Farmers' Union is a non-partisan organization, but does not eschew the discussion of public questions.

In connection with its non-partisan attitude in politics it never allows its officials to hold political office; it never indorses a candidate; it never puts out a candidate; it never formulates a "political platform"; it agrees in conventions on a few measures, elects a legislative committee which goes to the State Legislature, if a state committee, and to Congress if a national committee, and this committee argues the case before the committee having charge of the bill pending passage.

This organization has worked more persistently for a better system of marketing among the farmers than any other organization in the country. It has done more effective work along legislative lines for the farmers than any other organization. Pursuing this question of governmental aid in solving the problem of distribution it sent a Legislative Committee to Washington, D. C., in the winter of 1912, and the members of the committee went in and out among the members of both the Senate and House, present-

ing the proposition of establishing a Bureau of Markets to collect and distribute to the people the information that is needed. The Congressmen and Senators would respectfully listen and say "You know what you want—draw your bill." One Senator from the South said that if the farmers wanted something that would do them no harm and didn't cost too much he was willing for them to have it, but plainly indicated that he did not think there was anything in the proposition. However, he promised to "look into it."

The writer of these words and the national secretary of the Farmers' Union drafted a bill. By request it was introduced in the House by Messrs. Calloway of Texas and Webb of North Carolina. They let it die. It was introduced in the Senate by Senator Hoke Smith of Georgia and he pushed to passage. When it got before the Agricultural Committee of the House Mr. Lever of South Carolina was chairman. He had a vocational education bill before the Senate which had passed the house. Senator Page had a somewhat similar bill before the House which had passed the Senate. Members of the "third house" say that Mr. Lever hinted to Senator Smith that if the Lever bill got through the Senate the Smith bill would get through the House, otherwise not. The Lever bill failed. The Smith bill was side-tracked for a line in the appropriation bill putting at the disposal of the Secretary of Agriculture $50,000 to experiment with the project. Such are the ways of politicians. I mention these things to show some of the devious ways of legislation, and how personalities and jealousies enter into grave problems of statecraft.

Nothing short of eternal vigilance, backed by intelligence and unimpeachable integrity, will stand the

test in demanding measures of broad statesmanship. Without a high degree of political wisdom among the masses, free institutions and representative government cannot permanently survive.

The bill provided: "That the Chief of the Bureau of Statistics shall have power and authority to make, through the said Division of Markets, under the direction of the Secretary of Agriculture, investigation as to the systems of marketing farm products, cooperative or otherwise, in practice in various sections of the United States and in foreign countries, and shall collect data in reference thereto. The information and data thus collected shall be distributed to farmers, farmers' organizations, and societies of consumers throughout the various agricultural sections of the country, and made available for the use of any individual or organization, either by the circulation of printed bulletins and telegrams, or by information given personally by special agents of said bureau. It shall also be the duty of said Chief of the Bureau of Statistics to make through the said Division of Markets, under the direction of the Secretary of Agriculture, investigation of demands for farm products in various trade centers, and the current movement of such products, giving specific data as to the supply, normal demand, and price thereof, with the view of furnishing information as to the best available markets, which information shall be distributed under the direction of the Secretary of Agriculture."

It also provided:

"That it shall be the duty of the Chief of the Bureau of Statistics to collect, through the said Division of Markets, by any expeditious method, as by telegraph, telephone, mail, or otherwise, compile and report to farmers, farmers' organizations, and

societies of consumers, daily bulletins or telegraphic reports of such information and statistics as will enable them to adopt plans of marketing that may facilitate the handling of farm products at a minimum cost:

"*Provided,* That when such reports or statistics are requested to be furnished by telegraph or telephone, or methods other than the United States mail, the person or association making such request must advance the fee for the cost of transmission, which shall be deposited to the appropriation for the maintenance of the said Division or Markets. It shall be the duty of the Secretary of Agriculture to make an annual report to Congress regarding the work of the said Division of Markets, with any recommendations that may enable Congress to enact any additional necessary legislation."

And to inaugurate the experiment:

"That the Secretary of Agriculture shall make all necessary arrangements for offices and supplies for the use of said Division of Markets, including office equipment, rent in or out of the District of Columbia, stationery, telegraphing, and all other necessary expenses. The compensation of clerks and employees not otherwise specifically provided for in this act shall be fixed by the Secretary of Agriculture, subject to the restrictions of existing law.

"That the sum of $50,000, or so much thereof as may be necessary, is hereby appropriated for the expenses of such division, to be available during the fiscal year ending June 30, 1913."

The bill was submitted to the Secretary of Commerce and Labor for his opinion, and he said that his department could undertake the work and that it could be developed, but he declined to pass judg-

ment as to its advisability or estimate its probable cost.

The Secretary of Agriculture gave it his unqualified endorsement.

There is no way at present for the general public to know of the current movement of crops, the supply on hand, where it is located, the normal demand at the centers of distribution and consumption, and the shipments on the way to a given place. The only ones who know these things are those who maintain the big exchanges where grain, cotton, etc., contracts are handled in immense quantities. They pay for their information and charge it up to the business and the consumer pays for it. When independent firms undertake to keep up these statistics day by day—which must be done to be of value to the shipper of perishables—the expense is so great that it takes an association that has a practical monopoly before it can afford to adopt the most economic methods of distribution of perishables that must be sold at other than local markets.

A successful shipping exchange manager should know how much of the articles he is handling could be shipped from day to day, how many cars would be needed, what the freight rates would be to the different points, how many cars of a given article the people in the different cities would use from day to day, the outside competition that would have to be met, and what prices should be expected.

Organizations have been formed in various sections to handle specific commodities, with a routing agent to whom all shipments are referred, and he has charge of the routing of cars to their destination. He keeps in touch with all available markets, and routes the cars to the most promising market. Sometimes these

agents of associations, representing associations widely separated and handling competitive products, have an understanding so as to avoid competing as much as possible. These associations are very serviceable to communities where shipments are of sufficient volume to pay to sustain the necessary expense.

By keeping in hourly touch with markets, and by keeping track of his cars, a routing agent can change the course of a car several times before it reaches its destination if the market demands it. Some railroads accommodate smaller shippers by a "pick-up" system, whereby all less-than-carload lots are collected at various stations and combined at transfer points in full carloads. Canton, Mississippi, and Norfolk, Virginia, are examples of this system.

Another innovation introduced by some roads to facilitate the proper shipping of perishables is the telegraphic "passing" reports made as a car passes a station on its route. It has been used by the cars being reported by telegraph on passing certain points, and their movement was recorded in the central office in writing and by some visible sign. Each car was represented by a peg bearing the symbol of the car and inserted in a block which represented the train. The route over which the cars moved was represented by a board on which vertical lines and spaces indicated the various stations from which "passing" reports were made. When a train was reported to have passed a station, the block representing the train was moved past the place on the board representing the station. The telegraphic reports mentioned each car in the train; cars non-mentioned were accounted for, with the reason for delay, or were the subject of prompt inquiry from the central office.

Any shipping concern organized by farmers or any

organization of consumers could utilize these reports in directing the shipment of cars from the point of production to the point of consumption. The need for information of this character has led large shippers to adopt a system of their own by which they trace the movement of cars in transit in order to distribute them among the different markets to the best advantage. A number of organizations of farmers have adopted a plan of this kind. When a shipment is started, the bill of lading is turned over to the manager of the organization, whose business it is to direct the shipment of the car to the best possible advantage. The object in having a central authority to direct shipments is to prevent sending an over-supply to one place in a given time. On receiving the bill of lading, a record of the car is made on a card in the office of the organization and the card filed in its proper place in a drawer. This drawer is divided into rows with 31 compartments, with a row for each principal market to be used. When a card is filed its location is determined by the destination named in the bill of lading, and by the day of month on which the consignment is due at its destination. This would show only the cars being handled by that particular association. News of other shipments and of their destination and time of arrival should be furnished in order to perfect the system. The information contemplated to be furnished by the bill referred to would solve the question. The smaller shippers could use the "pick up" system of collecting cars and handle under a similar system. This would leave the smaller places to the small individual shippers with little competition. They could be kept informed by daily bulletins of current movements and prices, thus securing a better guide than has ever been furnished the small

shipper for determining marketing opportunities. With the information gathered, and at the command of the producers and consumers generally, the foundation would be furnished for the establishing of selling and purchasing associations that would obviate millions of dollars of *waste* in the United States annually.

Hon. Hatton W. Summers, of Texas, said in Congress, March 14, 1914:

"Merely to give a man out on the Rio Grande, or in Arkansas, or anywhere else information with reference to the fact that the country needs so much stuff will not benefit him or prevent waste. The Agricultural Department goes down to the Rio Grande and says it is a good section for the production of vegetables. The people there respond to the suggestion of the Agricultural Department and put in crops. I told the House the other day of a man who raised nine carloads of head lettuce. He sent out 100 heads by parcel post to different markets, and they were pronounced to be as fine as the market produced. He shipped two carloads. On one carload he paid freight amounting to $9 in excess of the price that the lettuce brought him and on the other $13 freight in excess.

"The Agricultural Department went out in east Texas and told the people there that that was a great fruit country. They went into the fruit-producing business, and one concern spent $400,000; but the year before last they cut down 400 acres of these trees. Now, gentlemen, we approach a situation that is entirely different from anything that has heretofore confronted the world. In the old days every man produced practically what he needed, and the com-

munities supplied their own wants; but to-day we must depend upon shipping our stuff from the field of production to the field of consumption. The individual farmer sends out his stuff without knowing where to send it. He sends it out into the dark. One market may be glutted, while another is inadequately supplied. The purpose of this amendment is to enable the Department of Agriculture to aid in the constructive work of improving the methods of sale and distribution. We go out and teach a man how to raise the stuff, but after he has raised it he says: 'What shall I do with it? I do not know where to send it.' The farmer is better prepared to deal with the difficulties of production without help from the Government than he is with the difficulties of marketing it, and everybody knows it. We know that the individual farmer out in the fields does not know where to send his products. He has plead with Congress for help along constructive lines in improving methods of and facilities for sale and distribution, help which he is entitled to and which the interests of the country demand should be given, and we toss him a few packages of garden seed, with our names on each package, send him some bulletins, and tell him what a deep affection we have for him. It is a shame. No member has offered or can offer a meritorious reason why the department should not help improve the methods of sale and distribution in order that the farmer can get a fair return for his labor, where the hungry consumer in the city can get his food supply without paying an exorbitant price."

What has Germany done along this line?
What has England done?
What has New York done?
What has California done?
What has Wisconsin done?

Is it not analogous to this kind of government aid to furnish the information necessary to bring the seller and the buyer in touch with each other—and do it by timely methods that can be put to practical use?

What has the State of New York done toward investigating the subject of markets?

What were the conclusions of the Commission appointed as to the annual savings that could be made in New York City alone in buying food stuffs?

What did the Commission recommend as to changes in city charters? Why?

Lesson XXX

What organization has most persistently urged a better system of marketing?

What steps did it take to get the government to establish a Bureau of Markets?

What are the provisions of the bill written by the National Legislative Committee of the organization and introduced by its request?

Lesson XXXI

Does any government maintain a Department, Bureau, or Division of Markets?

Why do the economics of distribution concern every citizen?

Why do so few have the statistical information needed on the subject of markets?

What is the objection to the usual method of private companies securing this information for their individual benefit?

Are facts concerning markets of as much importance to the public as the prognostications sent out by the Weather Bureau?

Why are the reports published in the papers not sufficient for the purposes of the shipper of perishables?

Could not the government develop a system of market reports similar to the weather reports?

Does the government press into service the entire Consular force to furnish daily reports for the benefit of exporters?

Ought it to do more for them than it does for the farmer and the city consumer?

Lesson XXXII

Has there been any attempt on the part of leading governments to furnish a Bureau of Information free to the people wanting employment and the man wanting help—skilled or unskilled—the information sought?

In what way could the government agents cooperate with the shippers and city buyers to the mutual help of producer and consumer?

Describe the "passing" reports system in keeping track of shipments.

Describe the "pick-up" system of shipping.

Explain the workings of the plan of large shippers in keeping tab on cars and the markets and changing routes of cars?

In what way could the small shipper profit by the information proposed to be furnished under the bill?

CHAPTER XXIV

International Institute of Agriculture

According to "Monographs on Agricultural Co-operation in Various Countries," the report of the International Institute of Agriculture, the following is what it is and what it is doing:

"The International Institute of Agriculture was established under the International Treaty of June 7th, 1905, which was ratified by 40 governments. Eight other governments have since adhered to the Institute.

"It is a Government Institution in which each Country is represented by delegates. The Institute is composed of a General Assembly and a Permanent Committee.

"The Institute, confining its operations within an international sphere, shall:

"(a) Collect, study and publish as promptly as possible statistical, technical, or economic information concerning farming, vegetable and animal products, the commerce in agricultural products, and the prices prevailing in various markets:

"(b) Communicate to parties interested, also as promptly as possible, the above information;

"(c) Indicate the wages paid for farm work;

"(d) Make known the new diseases of vegetables which may appear in any part of the world, showing

the territories infected, the progress of the diseases and, if possible, the remedies which are effective;

"(e) Study questions concerning agricultural cooperation, insurance, and credit in all their aspects; collect and publish information which might be useful in the various countries for the organization of works connected with agricultural cooperation, insurance, and credit;

"(f) Submit for the approval of the Governments, if there is occasion for it, measures for the protection of the common interests of farmers and for the improvement of their conditions, after having utilized all the necessary sources of information, such as the wishes expressed by international or other agricultural congresses or by congresses of science applied to agriculture, or agricultural societies, academies, learned bodies, etc.

"The Institute publishes: (a) a Monthly Bulletin of Agricultural Statistics; (b) a Monthly Bulletin of Agricultural Intelligence and Diseases of Plants; (c) a Monthly Bulletin of Economic and Social Intelligence.

"It has also published a volume on 'The Organization of Agricultural Statistical Services in the Several Countries,' and a volume on 'Statistics of Cultivated Areas and of Vegetable and Animal Production in the Adhering Countries' (an inventory drawn up from documents published by Governments), and 'Studies upon the Present Condition of Agricultural Association in Various Countries (2 vols.)."

This Institute is the creature of the brain of David Lubin, of Sacramento, California. He was interested in understanding how and when the price of wheat was determined. He visited Chicago, New York, Liverpool, and other market centers, studying the

subject of world markets, and the agencies operating to determine price. He came to the conclusion that there was need of an international center, where all kinds of information on the subject could be collected, and from whence the information thus collected could be disseminated to the mutual advantage of the people of every nation of the globe; this central head office for collecting and disseminating facts concerning world production and world consumption to be free from any connection with any commercial scheme for speculation or manipulation; under no obligation to any business for its support; but a world clearing house of information on agricultural subjects affecting the rural affairs of all countries. Mr. Lubin presented his plan to a number of people, and was finally successful in interesting the King of Italy, to the extent of inducing him to establish headquarters for such an institute in Rome.

Mr. Lubin is the permanent delegate of the United States to the Institute. He has had much to do in bringing its work to the attention of the public, and furnishing important information on movements for rural betterment in the different nations represented in the Institute.

The establishing of this Institute is one of the examples of the cosmopolitan nature of modern industry. It is a finger-board pointing to the day when the world will be one's home and not the circumscribed boundaries of neighborhood, state, or continent. Every one on the face of the globe is in competition with every other one, and yet the products of every one are at the command of every one—at a price. Commerce is international; markets are international; economics must be studied as world-wide in its application. The products of every clime find con-

sumers in the utmost parts of the earth, and those who extend their knowledge to world production and world consumption are the only ones competent to handle the marketing problems of the Twentieth Century. The International Institute of Agriculture is an agency at the service of all the nations in this line. However, the usefulness of its collected facts depends on their timeliness and the dispatch with which they can be made available to the buyers and sellers of the trade centers of all countries.

Lesson XXXIII

What is the International Institute of Agriculture?

When was it organized and what were its purposes?

Who was our first permanent delegate and what part did he play in its founding?

What can you say of the geographical extent of influences determining prices?

What kind of knowledge is necessary to master marketing problems of today?

What of the utility of information depending on its timeliness?

CHAPTER XXV

Rural Credits

It seems that there is no more difficult problem than the fair adjustment of the finances of society. The further we go in our complex civilization the more difficult the adjustment on the lines of equity. The question of rural credits is both a question of rural economics and of markets. America is far behind European countries in the question of rural credits. For one to suggest that the average American is better off than the average European does not prove that there is not merit in the rural credit systems of the Old World. Were they abolished the people of those countries utilizing rural credits would suffer intensely from the economic calamities that would follow.

The central idea in the rural credit systems of Europe is easily stated: By combining assets and owning institutions which receive and utilize deposits, the farmers are in position to secure money at lower rates of interest and in sufficient volume to carry on large enterprises and be independent of a bank boycott, money trust, credit monopoly or sporadic panic.

Agricultural credit banks may be divided as:

State-controlled;
Joint-stock, or private profit-sharing;
Cooperative.

They may also be divided as:

Land-mortgage banks;
Personal credit banks.

Another division would be based on:

Unlimited liability;
Limited liability.

Still another classification would be:

Run for profit, with paid officials;
Run for use and not profit, and gratuitous management.

The immediate objects and purposes of these banks are:

The provision of capital at low rates of interest;
The purchase of agricultural requirements;
The preparation and sale of agricultural products;
Farm insurance.

The general working principle is along the following plan:

The individual who gets the money secures the local association;

The local association secures the federated head;

The federated head finds the money, secures it to the lender, and sends it to the local association, which turns it over to the borrower.

It seldom sells consumptive credit, but sees to it that each loan is for productive use.

The four great elements of material prosperity are: (1) agriculture, (2) productive urban labor—including mine labor, (3) commerce, (4) finance.

In the United States, finance and commerce have locked shields in a common cause and have prospered amazingly. Agricultural and urban labor stand aloof and are fighting a losing battle. Commerce has a dynamic dollar and agriculture has a static dollar. Commerce has a liquid credit and agriculture has a viscous credit. Commerce can mobilize its capital

credit and agriculture cannot. Agriculture needs a system that will vitalize its resources, mobilize its capital, liquefy its assets and render dynamic its collateral.

American farmers borrow billions of dollars. Millions could be saved by borrowing together. The same farmers have hundreds of millions on deposit, bringing in from nothing to 4 per cent. When a farmer deposits in the banks, by the interrelationship which exists, and for which the individual bank is not to blame, the money is concentrated by a series of deposits in a few centers—but not available for use by other farmers. When it is borrowed, the rate is raised to double what is allowed for it on deposit.

All of this money might be better handled and put to profitable use instead of concentrating it. The same farmers sell billions of dollars' worth of products a year, following hazardous and profligate methods. By wise cooperative marketing more millions a year could be saved. A great percentage of these same farmers buy hundreds of millions on credit and pay enormous prices. There is no greater load on the back of labor than credit buying. Hundreds of millions could be saved by cooperative cash buying.

According to deductions drawn from the last census report and the best data available, the farmers of the United States are indebted as follows:

Farm mortgages on land operated by owners, $1,726,000,000.

Tenant farm mortgages, $1,320,000,000.

Average amount of current loans to farmers on account of crops, chattels, etc., $3,000,000,000.

This makes an approximate debt of $500 on fixed capital and a current debt of the same amount to each farmer at the head of a family.

The rate of interest he pays, including the expense of securing loans, is about 8½%; which means that the farmers are paying about $510,000,000 a year on borrowed capital.

The corporation way of securing capital is to bond the company and market the bonds, debentures, mortgages or other evidence of indebtedness and market them at the lowest rates of interest that can be secured. This enables the manufacturer, transportation company or franchise corporation to get money at 6 per cent. or a lower rate.

Under our present banking system the National banks are not permitted to loan money on real estate securities, except for short-time loans. The larger banks have been stuffed with stocks and bonds, and with commercial paper as security for loans, while denying such loans to farmers. The country banks in like manner carry thousands of bonds and stocks of local industries while shunning like accommodations to farmers. Country bankers are not willing to pay more than three or four per cent. on time deposits; and these same bankers will not loan to the same men on real estate mortgage for less than six per cent., with interest payable semi-annually in advance, or at a higher rate if payable annually.

The ordinary bank prefers to make short time loans at high rates, and by turning over their accounts often, it amounts to compounding the interest as often as a loan is made and collected. This kind of loaning and the regular discounting is more attractive than the long time loans required by the farmer who is trying to pay for a farm. The custom of every one putting his money in bank rather than keeping it at home has greatly accelerated the movement of money. The small banks can then deposit

with their correspondent banks a certain percentage of these deposits; these banks in turn can redeposit in larger banks or loan direct. In either case the money finds its way to the big corporations which furnish their securities for loans at low rates. This process leads to inflation in certain lines of business and stringency in other lines of business.

It is a mistake to measure prosperity by bank deposits. It ceases to be a good indication when it shows a dearth of local investment. The deposits in the savings banks alone in the United States, during the summer of 1912, amounted to $4,000,000,000. Thirty-two and a half per cent. of this was in the New England States, with only seven per cent. of the population. This did not mean that the New England States were more prosperous than the agricultural States of the Middle West, where the deposits were much lower. The six Western States of Indiana, Wisconsin, Minnesota, Nebraska, Kansas and Oklahoma had only $63,000,000 in savings deposits. These States were more prosperous than the New England States. We find an anomaly in the fact that Iowa had $168,000,000 of savings bank deposits. Iowa was prosperous also. There are more wage-earners in the New England States because of manufacturing, and the Western States named are mostly agricultural, which would account in part for the people putting more money in savings banks in the Eastern States than in the Western States named. But that difference does not apply in the case of Iowa, as it is no more a manufacturing State than the other Western States in the group named.

The tendency of farmers to move to town, as soon as they get prosperous enough to afford it, is developing an absentee landlordism in this country. If we

had a system of rural credit, operated so as to allow the absentee land owner to sell his land to the landless, and find a safe investment which is as permanent as he may desire to have it, and at the same time be an investment on which he can realize at any time in case he decides to re-invest in land, it would be especially desirable to lessen tenancy. A mortgaged home is bad enough; a rented home is worse. Tenancy is not the normal state of man, and any agency that tends to produce it is an agency to be avoided.

Whether the rural credit systems in vogue in Europe lead to home ownership or to tenancy affords a good criterion by which to judge them. As to whether the farm mortgage is an intermediate stage in an ascending scale from tenancy to land ownership, or an intermediate stage in a descending scale from land ownership to tenancy, is a question worth considering. It may very easily be either the one or the other.

There is hardly a country on the continent of Europe but has a system of rural credits; there are few in America. There are so many varieties and so many variations of varieties, that it is only with the fundamentals of the more important systems that we shall deal.

The money-lending shark has cursed every age; and the debt-shirking scoundrel has been his boon companion. Many money-lending concerns belong to individuals of disreputable character, dealing preferably with unfortunates. Cooperative credit eliminates both characters.

The credit societies are controlled by the borrowing members; the credit is given on:

Personal, or
Realty.

The realty credit takes little account of character. Personal credit takes both character and solvency into consideration.

There are five departments of cooperative effort:

1. Cooperative credit societies (banks), which may be associations of producers or consumers, or both.
2. Cooperative agricultural societies which are associations of producers.
3. Cooperative urban workers' societies which are associations of producers.
4. Cooperative mercantile societies which are associations of distributors.
5. Cooperative industrial societies which are associations of producers.

Sometimes the last two named are combined into one—as the Cooperative Wholesale Society, Limited, of Manchester, England.

Certain kinds of cooperation can exist under certain conditions and cannot exist under certain other conditions.

Cooperation in selling has reached its highest state of development in Denmark, where the farmers own their own homes.

Cooperative credit has reached its highest state of development in Germany, where most of the farmers own their own homes.

Cooperation in buying has reached its highest state of development in England, where the people do not own their own homes.

Cooperation has never succeeded anywhere with people of different races, or with a shifting population.

Cooperation does not depend on government aid, but goes forward with greater strides with it. The

advisability of government aid is a question of dispute, even when both government aid and individual initiation and operation have been tried.

Lesson XXXIV

What is the most difficult problem of civilization?
What does the question of rural credits concern?
What is the central idea in rural credits?
Give four divisions of agricultural banks.
Give the immediate object of these banks.
Give their general working principles.
What is meant by consumptive credit and productive use?
What are the four prime elements of material prosperity?
Which of these have worked together and which have stood apart?
What is meant by dynamic dollar and static dollar?
What can you say of credit buying?
What is the difference between the farmer's way of financing himself and the corporation's way of financing?

Lesson XXXV

Why is it that commercial banking is unsuited for farm requirements?
What can you say of the concentration of deposits?
Is the amount of bank deposits necessarily a good criterion by which to judge prosperity? Illustrate.
What could be done to induce absentee landlords to sell lands to tenants?
By whom are the credit banks controlled?

On what do they make loans?

Name the departments of cooperative effort.

What is the object of each?

Where has cooperative selling reached its greatest proficiency, and what resulted?

Where has cooperative finance received the most attention, and with what results?

Where has cooperative buying reached its highest development? Illustrate.

Where has cooperation never succeeded?

What of cooperation and government?

CHAPTER XXVI

Rural Credits in Europe

In Germany

The Credit Bank had its origin in Germany. During the first half of the Nineteenth Century the poor farmers and artisans of Europe, who had no recourse to banks or large capitalists, suffered immensely from the extortions of the usurers. By the middle of the century, farming had fallen into a most deplorable condition. The acute distress of the poor found vent in revolutions and uprisings throughout Europe. Competition from new countries of immense territory and virgin soil, aided by quick transportation, made it possible to flood the markets of the world with agricultural products, and this aggravated the distress of the peasant laborers of Europe. To make headway against this competition, and the well nigh helpless condition of the masses, necessitated a complete transformation in methods of finance and credit. The movement in Germany started unostentatiously by private initiative, without the aid of government. Its pioneer founders were two burgomasters, Herr Schulze of Delitzsch in Saxony, and Herr F. W. Raiffeisen, burgomaster of a group of villages around Neuwied.

The economic waste resulting from want of capital appealed to them, and they set forth a remedy. As

the outcome we have two systems, differing partly in the functions they perform and partly in the spirit animating the founders and promoters. In 1850 Schulze founded the first loan society in Delitzsch-Eilenburg, with ten members, all artisans; remodeled two years later as a self-supporting institution with a capital stock and shares. In 1848, Raiffeisen founded a cooperative society; in 1849 he founded a loan society of rich philanthropists, who sold cattle at easy rates to unprovided farmers; but it was not till 1862 that he organized a loan society at Anbausen, in which *the borrowing farmers were the members.*

Schulze-Delitzsch organized the first congress of banks in 1859, which resulted in the General Union of German Industrial Cooperative Societies, of which he was director to his death, in 1883. He secured from Prussia the first cooperative law, in 1867, which was converted into an imperial law, in 1889, when limited liability was permitted to all forms of cooperative societies.

Up to this time the old law of 1868 recognized only unlimited liability in the regulation of credit banks; now each bank adopts the plan it prefers. All the credit societies were organized to provide credit facilities for their members only. The Schulze-Delitzsch banks raised their funds by share capital and unlimited liability. The Raiffeisen banks raised their funds by unlimited liability and by deposits. There were in 1912 in Germany 24,000 cooperative societies. In June, 1910, there were 15,476 Raiffeisen cooperative banks. The total business done under this system during 1909 was $1,557,293,580; and the total business done by the Schulze-Delitzsch dur-

ing 1910 was $3,231,801,035; a grand total of $4,789,094,615.

Since February, 1905, the German cooperative societies (with one exception) have proceeded under one general plan. The Imperial Federation of German Cooperative Societies, representing officially the interests of more than 19,000 agricultural cooperative societies, comprising about 1,750,000 members. There were some fundamental differences in the ideas of the two founders of credit banks in Germany.

The Schulze ideas were those of strict business: Buy your stock; earn dividends: pay the bank's working officials; pool realty, personal property, and character, to secure money at the lowest rates of interest obtainable in the broadest markets.

The Raiffeisen ideas were more sentimental: Pool your personal character and personal property, and pledge it in partnership with unlimited liability; with these secure deposits and use these deposits to loan to the members at the rate allowed the depositors, plus a margin to cover expenses, which were almost nothing, as the members paid no entrance fee, took no stock, got no dividends and paid nothing to the officials of the association.

During the more than half century the two systems have been in operation they have undergone a number of modifications, some voluntarily and some because of law requirements, still there is a marked line of distinction between them.

The Schulze-Delitzsch bank is in the main an urban bank; the Raiffeisen bank is entirely a rural bank. The former requires a minimum share of $26 to secure membership; the latter requires merely a nominal sum of two or three dollars to comply with the

law of 1889, which requires all banks to have a capital stock.

In both systems, men vote, not dollars. Each member has one vote, regardless of the number of shares he owns, the amount of deposits he has, or the amount he borrows—nor is his station in life any consideration.

This is not so different from the rule of the Bank of England: Each shareholder has but one vote, irrespective of the number of shares he owns, and no proxies are allowed. The voting units must own $2,500 of the bank's stock and about twenty times that amount of interest in the mercantile interests of England, and be an Englishman. So its managers are interested in making it serve commerce, serve the borrower, rather than have it thrive as a distinct profession or calling.

Laws governing the banks of Germany provide for three kinds of liability: (1) Liability limited to the amount of stock held; (2) liability not extended to the creditors of the local bank direct, but the members are liable to the local bank to the amount of the sum required for the payment of all creditors; (3) individual and several liability of the members, both toward the society or bank and to the creditors of the society, fixed in advance at a certain sum.

Raiffeisen insisted on three fundamental tenets: Unlimited joint and several liabilities of the members, (2) restricted area, and (3) gratuitous management.

Exceptions to these tenets led to the adoption of other rural credit societies, which were finally welded into a national federation by William Haas, known as the Darmstadt Federation, the points of difference being on questions of entrance fees, range of membership, size of shares, and remuneration of officers.

After the death of Haas and the loss of his leadership this division began to go back to the Raiffeisen type, and in July, 1913, the two were consolidated. The Raiffeisen system is based on mutual confidence and aid. This requires a more restricted membership, as every one needs to know every other one in the local association, and be able to observe just how the bank's money is being used. The borrower is required to find sureties and give other collateral security for payment of the loan, and he binds himself to apply his loan to a specific purpose, which is required to be a productive purpose.

The capital which the rural banks have at their disposal for the purpose of making loans to their members is secured from four sources: (1) Capital (which is very little with the Raiffeisen banks); (2) the reserve fund, accumulated in previous years (which is also small and divided into the reserve fund proper and the reserve fund corresponding to the dividend); (3) the savings deposits made either by members or non-members, and deposits on current accounts made by members only; (4) the money which the bank obtains by means of loans from central cooperative banks, other banks or private individuals.

In 1909, of the nearly two billion marks ($479,000,000) loaned to farmers of the German Empire, only 11.2% were furnished by outsiders, while 88.8% came from the savings and deposits of the farmers themselves, or of the local public.

Loans of the rural banks are of two kinds: On current account and for fixed periods. At the close of 1909, 71.7% of the loans were for fixed periods, and 28.3% on current accounts. Members guarantee the payment of their obligations by offering securities;

by deposit of valuables, share certificates, etc.; by mortgage; by naked promise. By securities is most in vogue. Terms of loan vary from a few months to a few years.

Sometimes a farm is sold in allotments; there may be several buyers who want to pay gradually; the credit bank pays the price of the estate and the buyer becomes the debtor of the credit bank, paying off by installments at moderate rates of interest.

A Raiffeisen bank building is never a skyscraper nor a marble palace. It is usually a small room, perhaps by a farm building, or in the farmers' library, opened twice a week and presided over by a single occupant, the accountant.

Once a week the half dozen directors meet and discuss the various credit claims which have arisen. The accountant receives a small stipend for his service, and is the only salaried official. The Raiffeisen system has been able to utilize the only security which the small agriculturist has to offer, namely, his personal pledge to repay, supposedly by the guaranty of men of his own class and standing. It has been able to perform the function of furnishing agricultural credit without subsidy, subvention of the government, or charity of capitalists this system and the Schulze-Delitzsch system of cooperative credit passed over into Austria in 1851, Italy in 1860, into Belgium in 1864, into France in 1883, into Scotland in 1889, and into Ireland in 1894.

The Schulze-Delitzsch type of credit bank is more in keeping with financialdom's ideas of business. They conduct their banking over a considerable range of operation, and throughout an extended area. The profits are divided into two parts: reserve fund and dividend. The small entrance fees are added

to the reserve fund. It is customary to devote all the profits for a year or two to the reserve fund, which usually amounts to about one-fifth of the share capital. This fund can only be used to cover losses. Shares, reserve funds, and liabilities constitute the basis on which supplies of capital are obtained. These are (1) deposits, (2) re-discounts by outside banks. These banks receive savings accounts of all members, whether they borrow or not, and non-members who can not borrow.

There is three and a half per cent. attached to deposits, while five per cent. is charged on loans. Usually a notice term is required for a withdrawal of deposits, to avoid having funds called for which are out on time loans before they can be returned.

Accounts are opened by the ordinary deposits, which are handled as a commercial bank would conduct a similar fund. They have drawing accounts. The bank acts as a payman for the customers up to the limit of their accounts, paying either the customers themselves, or their creditors in whose favor the check is drawn. Special loans are negotiated from individuals, companies, or other credit societies. Public moneys, such as commercial savings bank funds, are sometimes handled.

The credit furnished to their members is either: (1) a loan, or (2) a discount of a trade bill of exchange.

There are two characters of loans: (1) an ordinary advance of money on whatever securities are offered; (2) in the favor of a credit limit, within which the borrower may draw.

A borrower may secure a cash credit by signing a bill of exchange promising "At sight I will pay to

———— bank against their bill of exchange the sum of —— dollars."

The borrower does not take the money in a lump. Unlike a drawing account he can overdraw his account up to the limit allowed in his agreement. If he took the whole sum away he would have to pay interest on the whole amount; by having a running credit he pays interest only on the sum standing to his debit on daily balance.

On the trade bill of exchange the bank gets a discount. This is where A owes B, but does not have to pay for a specified period, and B shares the account by discount to the bank for immediate cash.

The importance of the distinction is obvious. When considering the question of rediscounting, the outside bank will take in this kind of bill for rediscount provided it has two good indorsers. But the cooperative bank still has an interest in the rediscounted bill, if the bill is an *advance* bill; for it signifies a loan, and, if the borrowing member desires a renewal, the cooperative bank must negotiate with an outside bank to consent to the renewal. A bank rediscounts because of a lack of sufficient funds to hold till maturity all the bills represented. It can sell cheaper than it buys and accommodate its customers.

The Schulze-Delitzsch type of banks are used by independent agriculturists, hand workers, shopkeepers, traders, wage-earners and professional men. When the farmer mortgages his farm he does not apply to a credit society or bank. This kind of credit is obtaining favor in life insurance companies, savings banks and land-mortgage banks.

The land-mortgage banks are either joint-stock corporations or societies of borrowers. The latter

are typified by the original type of land banks—the

GERMAN LANDSCHAFTENS

These institutions are associations of land owners; have no shares; pay no dividends; profits go to reduce loans; official services gratuitous; members and borrowers identical.

They date from the reign of Frederick the Great. It was the outcome of the indebtedness of the nobility after the Seven Years' War. This was the first Landschaft. Now there are twenty-five companies, and the mortgages held by them exceed $500,000,000, with interest rates at 3.5 to 4 per cent. The bonds by which the money for these loans were obtained are secured by a mass of underlying mortgages and general assets of the issuing association and by the unlimited liability given its members. Collective guarantee and loans made only to members are characteristic features of Landschaften, but there is a growing tendency to limit liability and substitute reserves for emergencies. Through a process of evolution, the systems, the associations, have come to assume direct responsibility for loans and give cash to members for their mortgages, raising funds for this purpose by selling bonds of even denominations for large and small amounts. Loans are made payable by annual installments, running through a long period of years, and the installments set aside to redeem the bonds. Land credit is based upon the debenture bond and the amortization method of payment. These annuities, sinking fund, and debenture bonds constitute the triune unity of practical land credit.

The *new* Landschaftens are of different patterns. Some are mere annexes to the older societies, but

most are independent and resemble ordinary mortgage banks, except in the essential point that they have no share capital earning dividends. They are gratuitous intermediaries between the outside capitalists and the borrowers, charging merely a small commission to make actual expenses. These societies do not lend their own funds; the applicant for a loan asks that debentures be issued against a mortgage of his property, consigned to the Landschaftens. This done, the debenture is marketed, and the funds secured for the loan. The debentures are secured by the whole mass of mortgages held by the bank and by all its proper form of security, including the property of the members, the reserve fund. A debenture holder cannot demand payment before maturity, but the bank can call them in by giving six months' notice. The interest paid by the borrower on the loan is that paid by the bank on the debenture. Loans are payable almost entirely by amortization. The usual run is for a half century, but the borrower is at liberty to pay the whole or part whenever he so chooses, but he must pay the entire interest for the half year in which he pays.

All the land credit institutions of Europe are in some way connected with the government. This applies to some of the societies organized for commercial credit. In 1895 the Prussian government, proceeding on the idea that credit institutions in town and country failed to place the man of small affairs on a level with the men of large affairs, as regards banking facilities, appropriated five million marks (since made fifty million) on which a 3 per cent. rate of interest in charged, with the object of affording credit at a uniform and low rate to small

purchasers, industrial and agricultural, provided a proper association has been organized.

The urban credit banks protested against government interference, and refused to be parties to a government aid coalition, so that six-sevenths of the government business is done with the agricultural organization.

The German Mortgage Bank

The mortgage banks of Europe may be classified as public, quasi-public, and strictly private institutions. The latter are all those which, whether they consist of lenders or borrowers, operate under general laws and have no special privileges. These companies in Germany have outstripped the older and privileged banks. They had in 1912 $2,918,000,000 loaned on mortgage, or five times more than the Landschaftens. The capital is $170,563,000; the bonds in circulation amount to $2,548,009,000, with interest at 3.5 or 4 per cent., while the average returns on mortgage loans are 4.22 to 4.33 per cent. per annum. The supervision is carried out by royal commissioners and extends to the minutest details.

In France

The Credit Fancier is the largest and most comprehensive land bank in the world. It was formed in 1852, placed under government control, given a subsidy, and granted a monopoly for 25 years. The monopoly was not renewed, but its special privileges remain, which perhaps accounts for its being the only land bank in France. In that country they do not call an institution lending money on land a bank, and the deposits it may receive are limited by law.

The governor and two sub-governors of the Credit

Fancier are appointed for life by the president of the republic. It is subject to the surveillance of the Treasury Department of the Government. Its mortgage loans, and first loans, and titles must be clear and unincumbered. A farmer cannot bind himself to pay a greater annuity than the annual income of the property mortgaged. It loans to municipalities, corporations, communities, farmers and orchardists, and certain industrial pursuits, at low percentages of value. Miners, quarriers, theatres, etc., are excluded. The outstanding loans and the debenture issues must exactly correspond in amounts. It is a limited liability company. It markets bonds, or debentures, or denomination suitable for public investments, based on mortgages limited to the amount due from the lender. In other words, the Credit Fancier acts as a fiscal agent for the borrower, so that, instead of seeking to raise money directly from some local lender by mortgaging his farm, the farmer places his mortgage with the Credit Fancier, which in turn issues bonds based on the mortgage, and the bonds can be sold throughout the country just as municipal or public service corporation bonds. The capital stock of the company must be always maintained at the rates of one-twentieth or more of the debentures in circulation. The shares of the company are dealt in on the Paris Bourse and may be purchased by anyone. The capital in 1912 was $40,000,000, divided into 400,000 shares of $100 each. The capital has been raised to $50,000,000. One-fourth of the capital must be invested in French rents or other treasury bonds; one-fourth in office buildings of the city or by loans to the French colonies, or in securities deposited with the bank of France as a guaranty for advances. The shares are non-assessable and cannot be issued below par.

In January, 1912, the company offered for public subscription $100,000,000 of 3 per cent. debentures in denominations of $50 each and running three score and ten years. The issue was subscribed nineteen times.

Two classes of loans are offered to the farmer: short time loans running from one to nine years, and long time loans running from ten to seventy-five years. The rate to the farmer is 4.3 per cent. On the short time loan the borrower pays only the interest due at the end of each year, and at the expiration of the loan pays back the principal. In the case of long time loans, the principal is paid back in annuities together with the interest due at the end of each year. The annuities are spaced over the period of loan. Borrowers have the right to pay in advance, so the proper adjustment of the balance is beyond the control of the company, but as loans are paid up debentures must be paid off. For this reason the debentures, although calculated to be redeemed synchronously with the loans they represent, have no fixed time for maturity and are recallable at option.

Credit Agricole

The Credit Agricole is the name of the Agricultural Cooperative Credit Society which lends on both personal and real security to the farmers of France. Unlike the agricultural credit society system of Germany, which gradually evolved from small beginnings into a complex system of societies, provincial unions, and central banks, the French Credit Agricole was struck forth by national fiat, issuing, Minerva-like, full-fledged from legislative council. This was in 1899, and the system has scarcely had a full test of

its usefulness. The policy of its operations is to discourage considering a savings deposit as an investment. The object is to encourage local investment rather than to concentrate deposits in local banks to be redeposited in corespondent banks to be redeposited in reserve city banks to be loaned on speculative deals and cause inflation in certain centers and contraction in other parts of the country. The groundwork of this system consists of a number of individual societies assuming either limited or unlimited liability for the funds secured. Each member takes one or more shares of 20 francs. Each society, when it is founded, makes over the whole of its capital to the central bank of the department in which it is located. These central banks are established by the State. They are under the control of the Credit Agricole, which inspects them and to which they make their reports. The Bank of France lends them without interest f40,000,000, and certain other funds are dispensed through the channel of the central banks. The central banks or "regionale" banks receive their capital from the local banks, and as soon as that is made over to them they are entitled to a loan free of interest from the State of five times the amount subscribed. From these funds the regional banks lend to the local offices at 3 per cent., and the local offices lend to their members at 3.5 to 4 per cent. on short loans; long time loans run from 2 per cent. to 3½ per cent. The process of negotiating loans is as follows: An application for a loan is made by a member of a local bank; it is considered by the "conseil" or administrative committee of the local bank—the committee is elected by the members; if approved the application is then submitted to the committee of the local bank—which is

elected by the representatives of the local banks in its district; if the loan is granted, the applicant draws a bill on himself for the amount. This bill is then indorsed on behalf of the local society and discounted at the central office. Should the latter not have sufficient funds for the purpose, it can reindorse the bill and it can then be rediscounted with the Bank of France, leaving no profits for the branch office. So they are not limited to the original loan of the government.

Loans are granted solely for agricultural purposes. They have about 3,000 local offices with an average membership of 40, and the average credit is about 500 francs.

The credit societies of all countries wherever organized have furnished the members with the cash to pay for supplies, and thereby obviated the necessity and minimized the habit of going on a credit and running accounts at expensive rates at the stores. In France the underlying form of the association which furnishes the business and social source of cooperative effort is the "syndicat," which conducts the business of supply and sale. The credit banks stand in the same relation to the syndicates as do the productive societies. The syndicates are of two kinds: those with a general purpose and those with a special purpose. They are educational and furnish the means of mobilizing farmers into effective business organizations.

Lesson XXXVI

When and where did the different credit banks have their origin?

What was the immediate prompting cause of these organizations?

Who took the initiative? How did they proceed?

What can you say of the growth of these credit banks?

What changes in the laws governing cooperative banks?

How are they governed in the voting power of members?

What are the distinctive features of the bank of England?

What kinds of liability do the laws of Germany permit?

Give the origin of the Damnstadt Federation.

What are the sources of funds of the credit banks?

What percentage is secured from each source?

Give the different kinds of rural banks.

What can you say of the Raiffiesen bank buildings?

What part has the government played in the dealings of the banks?

What can you say of the spread of the credit banking system?

What are the time limits and rates?

Lesson XXXVII

In what features do Schulze-Delitzsch banks resemble ordinary commercial banks?

In what way do they differ from ordinary banks?

What classes use the Schulze-Delitzsch banks?

Where do the borrowers on land go for money?

State the details of the Landschaften banking system.

What is the difference between the new Landschaften and the old Landschaften system?

What is the relationship of the government to the land credit banks?

State the facts regarding the mortgage banks of Germany.

How do you account for the fact that they are outstripping the Landschaften banks?

Do they deal with the individual farmer or with groups of farmers?

What are their time limits and rates?

Lesson XXXVIII

What is the Credit Fancier of France?

When and how was it organized?

What is the system of organization?

What securities does it accept?

What is the process of securing the money and getting it to the borrower?

What are the time limits and rates?

What is the Credit Agricole?

When and how was it organized?

What is the policy regarding savings deposits?

Give the structure of the system.

What is the relationship of the individual to the local society?

What is the relationship of the local society with the regional banks?

What is the relationship of the regional banks with the government?

What security do they accept?

How is the money secured? From what sources?

What is a "syndicat"?

What has been the general effect of credit societies?

What is the "open account" as applied to commercial banking generally?

In what way does it help the borrower?

What can you say as to the use of the open account by farmers and by those engaged in commercial pursuits?

CHAPTER XXVII

Our Banking and Currency System

There is no agency for good or evil that is so vital in its direct influence on the welfare of the citizens of a country as that of the Government's financial system. Nothing so intimately concerns the industry, economy, and markets of a country as its currency, banking, and credit systems.

Among the faults of our monetary system which we inherited from the Civil War may be mentioned the following:

1. Insecurity.
2. Tendency to concentrate—to encourage speculation, voting trusts, and interlocking directorates.
3. Inelasticity: bred panics.
4. Inadequate provisions for time exchange.
5. Lack of coordination and uniformity—noncooperative.
6. Narrowness of market for commercial paper.
7. Volume of money depended on national debt.
8. Did not provide for foreign markets.
9. Inadequate provisions for land loans.
10. Improper use of the postal savings deposits.
11. Allows clearing houses to operate without Government supervision; prescribe arbitrarily both the loan rates and interest rates of their members; refusal to "clear" for any banking house they care to exclude; and issue receipts to pass as money in open violation of law.

The stupendous total of about $1,000,000,000 are the liabilities of failed banks of the United States since the Civil War. Of these the national bank failures involved capital, surplus, and other liabilities to the aggregate of $350,000,000, of which total only $120,000,000 were made good. The State and private banks for the same period show failures of $660,000,000. The failed national banks netted their creditors 76 per cent. of the stock—the stockholders losing all their capital and being assessed $20,000,000 besides. Many private bank failures are not included in these statistics. During the last score of years we have averaged a full week of bank failures every month.

That money and financial power had become centralized was taken as a matter of fact.

Money is that with which the debtor can extinguish his debt without the consent of the creditor at a fixed unit of account. Redemption money is a commodity stamped with government fiat and used to redeem credit money. Currency which the government pledges to redeem in metal stamped with government fiat is credit money. Paper money issued in excess of the amount of redemption money is uncovered paper. Money in the treasury not covered by appropriations is uncovered money. Money which the government will accept for debts, dues and demands of the government is receivable money.

Our moneys are of the following kinds and amounts: Of gold coin, $614,478,201; of standard silver dollars, $74,012,152; of subsidiary silver, $160,486,188; of gold certificates, $480,079,731; of Treasury notes of 1890, $2,583,874; of United States Notes, that is, greenbacks, $341,401,413; and

the 1st of November, 1913, $3,417,109,678.

In this enumeration of the kinds of money the Government appears as having issued, not including gold certificates—which really represent gold deposits, and are a trust fund against the certificates—the Government appears as having issued its paper, practically its promises to pay, of greenbacks, $304,401,413; of Treasury notes of 1890, $2,583,874; and of silver certificates against the silver on deposit, $480,079,731, making a total of $824,074,118 of Government obligations. Against that the Government had of gold reserves $150,000,000 and of silver deposited, upon which it had issued certificates, which the Government is under obligations to keep on a parity with gold, and which is, speaking roughly, worth about one-half of gold, $480,079,739. One-half of that silver being security of reserve against the silver certificates. So that, as against this $824,074,118 of its demand obligations, the Government has in reserve in gold and silver value $391,331,000.

The new banking and currency law provides for increasing the amount of $824,064,118 of demand obligations of the Government by the issue of further obligations. It provides that the Government, in issuing these notes and advancing them to the reserve banks, shall take security from the banks, and the banks shall hold in their vaults as applicable to making good to the Government convertible securities and cash. The reserve is to be 35 per cent., and it is required that at least 33 1-3 per cent. of that amount of notes issued to the banks shall be based on gold.

The new banking and currency law revolutionizes our banking and currency system for the better. It has within it many of the fundamentals which were

for years denounced and belittled by the dominant financial authorities of the country. The central principles that gave vitality to the old Greenback party under the leadership of Peter Cooper, Gen. Benj. Butler and Gen. James B. Weaver, and later to certain Alliance demands, and later still to the free silver crusade, are embodied in this law. The principles were not applied as those movements endeavored to apply them; but the principle that the Government rather than private corporations should issue all the money and regulate the supply sits regnant at the heart of the new law; also the abolition of bank currency based on the national debt represented by national bonds. A bitter fight was waged over these and other features of the bill as it wended its way through the House and Senate.

One of the pivotal points was that of control and ownership. The larger banks usually contended for ownership and control by the national banks exclusively. To make an immense business subject to the dictation of those not directly interested in it was to them rank financial heresy. The other extreme was represented by those who contended that it should be controlled by those totally disconnected in every way with banking, just as a judge should be in no way connected with the parties in court. The result was a compromise—which is the usual way with legislation. There were three bills finally formulated and urged for passage: The bill as it passed the House, the bill as amended by the Democratic members of the Senate, and the bill as amended by the Republican members of the Senate. All three of them contemplated the abolition of the banking system we had maintained for half a century, and the estab-

lishment of a system of regional or federal reserve banks; the issuance of currency by the government through these district federal reserve banks on "prime commercial paper"; these banks of issue to hold reserve behind their deposits and note issues at certain ratios; they to rediscount the paper of member banks and the whole system to be under the control of a federal board of control, a part of which was to be appointed by the President. However the bills differed on almost every point as to the means to be provided to carry out these purposes.

Out of many instances proved in the Pujo investigation it was shown that the firm members and directors of two banks and trust companies, controlled by the Standard Oil and Morgan federation, together held 118 directorships in 34 banks, and 30 directorships in ten insurance companies, with resources, deposits and assets aggregating nearly $7,000,000,000. In the Senate the following amendment was offered: "No member of the federal reserve board, and no director of a federal reserve bank and no officer or director of any member bank shall be an officer, director or stockholder of any other bank, trust company, or insurance company." Result: ayes, 28 Rep., 2 Dem. Nos., 43 Dem., 8 Rep.

The law as passed gives the banks first chance to acquire all the stock in the federal reserve banks, and gives the banks six and the government three of the nine directors of each reserve bank. All efforts to provide for public ownership of the stock of the reserve banks, and providing that the Government should name a majority of the directors of each reserve bank, were unsuccessful.

As "prime commercial paper" was to be discounted

at the reserve banks for the member banks, quite a discussion at once arose as to what should be included under this term. It was only after a hard fight in the Banking and Currency committee of the House, led by Henry of Texas, Neely of Kansas, and Ragsdale of South Carolina, that paper based on the dynamic wealth of the farm—non-perishable crops on the way to market—was definitely named as coming under the list of acceptable securities.

With the commercial banks the question hinged upon what on its face appears to be a mere matter of form. Shall the reserve banks recognize and rediscount for the banks the common promissory notes, which a merchant makes and discounts with his local banker, when he desires to buy goods, or shall it be the "prime bill" or the "acceptance" which is used in less than three per cent. of credit transactions in the United States (although it is the rule in Europe), and which represents credit extended at the other end of wholesale merchandising, being negotiated by the jobber or wholesaler instead of by the retailer? So that either the great turnover trade shall be supported by credit extended by the local banks to retailers upon the local bankers' judgment of the character and responsibility of the merchants, or that the wholesalers and jobbers should have to assume responsibility for the merchants to whom they sell goods, and negotiate for necessary credit with the larger city banks. It was a question calling for a ruling from the federal reserve board.

Ours is a composite system of finance gradually developed, and reflecting features of various European systems, but better adapted to American needs than any other we have ever had, and superior as a compact organic whole to that of any other country.

We have the central bank idea exemplified in Germany, France, Russia, and England. They are privately owned but under the control of the governments.

The writer's views as written before the Federal Reserve Act was drafted were as follows:

Our financial legislation should accomplish the following ends:

1. Prevent a money trust.
2. Prevent financial panics.
3. Uniform treatment of discounts with independence of individual banks.
4. Elasticity of supply adjusted to seasonal demands, but not for exchange speculation.
5. Elasticity of reserves and absolute security of deposits.
6. Abolition of holding companies in the banking business.
7. Authorization of national banks to do (1) a commercial banking business, (2) a savings bank business, (3) a trust company business—the various accounts to be segregated.
8. The cooperation of all banks through zone clearing houses, incorporated and under the supervision of the national government—the same to be clearing centers for their respective banking units.
9. A free check system among the banks of each clearing-house zone as a banking unit.
10. Provide for acceptance of time bills of exchange to create a discount market at home and abroad.
11. Secure better banking facilities with other countries to aid in extending foreign trade.
12. Furnish the means of investing savings in convertible securities instead of depositing in Savings

banks or investing in foreign securities, and to accommodate small amounts for investment as well as large amounts.

13. Provide for land banks, to issue non-taxable bonds secured by real estate leasehold or mortgage upon improved lands occupied by the owner.

14. Needed changes in our postal savings bank laws to avoid concentrating deposits out of district in which they are deposited.

15. Abolition of all banknotes based on national bonds.

16. All money to be a full legal tender for all debts, public and private, and receivable for all debts, dues and demands of the government.

17. Gold, silver, and their certificates, and treasury notes, subsidiary and minor coins to constitute all varieties of money.

18. International check, interchangeable for money in any country.

BANKING SYSTEM OF THE UNITED STATES, 1913

1-1 Definition: A system established for the custody, loan exchange, and issue of money; and to facilitate credit and commercial exchange.

2-1 Explication:
  1-2 Kinds of banks,
    1-3 National Banks,
      1-4 Those that issue money;
      2-4 Those that do not;
    2-3 State banks;
    3-3 Private banks.
  2-2 Powers and privileges:
    1-3 Of National banks—
      1-4 To issue money,

2-4 To rediscount,
3-4 To receive deposits,
5-4 To buy and sell gold and silver bullion, bills of exchange, etc.
4-4 To make loans on any security except real estate.
2-3 Of State banks.
1-4 To rediscount,
2-4 To receive deposits,
3-4 To make loans on any kind of security.
3-3 Of Private banks. Powers unlimited—except not allowed to issue notes.

MONETARY SYSTEM OF THE UNITED STATES, 1913

1-1 Definition: A system by which the Government issues and regulates a circulating medium.
2-1 Explication:
1-2 Kinds of money—
1-3 Gold,
2-3 Gold certificates,
3-3 Silver,
4-3 Silver certificates,
5-3 Nickel,
6-3 Copper,
7-3 Treasury notes; two kinds,
8-3 Greenback,
9-3 Bank notes.
2-2 Quantity of money—
1-3 All kinds, according to Comptroller of Currency, $3,720,000,000, June 30, 1913.
1-4 Gold coin, $614,478,201; Gold certificates, $1,021,457,879, November 1, 1913.

2-4 Silver dollars, $74,012,052; Silver certificates, $480,079,731;
3-4 Subsidiary coin, $160,486,188;
4-4 Treasury notes, 1890, $82,583,874;
5-4 Greenback, $341,401,413;
6-4 Bank notes, $722,615,240;
(Total $3,417,109,678.)

3-2 Quality of money:
1-3 Legal tender—
1-4 Gold coin, at its nominal or face value for all debts, public and private, when not below the standard weight and limit of tolerance prescribed by law; and when below such standard and limit of tolerance it is legal tender in proportion to its weight.
2-4 Standard silver dollars, at their nominal or face value in payment of all debts, public and private, without regard to the amount, except where otherwise expressly stipulated in the contract.
2-3 Limited legal tender—
1-4 Subsidiary silver, for amounts not exceeding $10 in any one payment.
2-4 Treasury notes of the act of July 14, 1890, are legal tender for all debts public and private, except where otherwise expressly stipulated in the contract.
3-4 United States notes, for all debts public and private, except duties on imports and interest on the public debt.
4-4 The minor coins of nickel and copper, to the extent of 25 cents.
3-3 Non-legal tender—

1-4 Gold certificates, silver certificates, and national-bank notes, but both classes of certificates are receivable for all public dues, while national-bank notes are receivable for all public dues except duties on imports, and may be paid out by the Government for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the U. S., except interest on the public debt and in redemption of the national currency. All national banks are required by law to receive the notes of other national banks at par.

2-4 Foreign coins.

FEDERAL RESERVE ACT

1-1 Definition: An act providing for mobility and elasticity of currency to facilitate commercial, industrial and agricultural transactions.

2-1 Explication:

1-2 Federal Reserve District.

1-3 Number—

1-4 Not less than eight.

2-4 Not more than 12.

2-3 Amount of business determines district.

2-2 Federal Reserve Advisory Council.

1-3 Membership—

1-4 One councilman from each Reserve District.

2-4 Elected by Directors of Reserve Board.

2-3 Powers—

1-4 Meet four times annually.

2-4 Confer with Federal Reserve Board;
3-4 To make representations on matters in jurisdiction of Reserve Board.
4-4 To call for information, and make recommendation on—
1-5 Discount rates;
2-5 Note issue;
3-5 Reserves

3-2 FEDERAL RESERVE BOARD:
1-3 Members—
1-4 Secretary of the Treasury,
2-4 Comptroller of Currency.
3-4 Five appointees of the President of the United States.
2-3 Powers—
1-4 To examine books, and publish statements of Reserve* and Member-bank.
2-4 To permit or require one Federal Reserve Bank to rediscount paper of another.
3-4 To suspend reserve requirements—
1-5 For 30 days,
2-5 For renewal of 15 days,
3-5 To fix a tax upon reserve falls below requirements.
4-4 To supervise and regulate issue and retirement of notes;
5-4 To add to number of reserve city, and central reserve city banks;†

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*The terms, "Federal Reserve Bank," "Regional Reserve Bank," and "Zone Bank," used in this work are held to be synonymous and interchangeable.

†There are three central reserve cities and forty-eight reserve cities.

6-4 To suspend or remove officers of Federal Reserve Bank.
7-4 To require the writing off the books of worthless accounts;
8-4 To suspend operations of Federal Reserve Bank for violation of rules;
9-4 To require bonds of Federal Reserve Agents;
10-4 To supervise Federal Reserve Banks.
11-4 To grant National banks right to become trustees, administrators, etc.
12-4 To employ Attorneys, experts, etc., to conduct business of Board.

4-2 FEDERAL RESERVE BANKS:
1-3 Organization—
1-4 Name includes name of city where located. (Note as Federal Reserve Bank of Chicago.)
2-4 Five eligible banks, selected by Reserve Board, may organize a Federal Reserve Bank.
3-4 Members and stockholders—
1-5 Membership required of all National banks.
2-5 All eligible authorized to apply for membership.
(Note: Any bank that has sufficient paid-up capital to become a National bank is eligible.)
3-5 If member banks are unable to hold enough stock to operate a Federal Reserve Bank;
1-6 Stock, to the limit of $25,000 to each purchaser, may be sold to public.

2-6 (If stock still insufficient to operate bank) Stock may be allotted to United States, and paid for at par out of U. S. Treasury.

4-5 Stock not held by member banks carries no voting power.

5-5 Stockholders are responsible for amount of stock at par plus purchase price of same.

4-4 Capitalization—

1-5 Minimum capital, $4,000,000.

2-5 Member banks must take stock (to be paid for in gold or gold certificates) to the amount of 6 per cent. of their capital and surplus.

5-4 Powers and Privileges—

1-5 To adopt and use corporate seal;

2-5 To have succession for 20 years;

3-5 To make contracts;

4-5 To sue and be sued; complain and defend in courts;

5-5 To appoint officers and employees not specified by act;

6-5 To make by-laws;

7-5 To do banking within prescribed limits;

8-5 To deposit bonds and receive blank circulating notes;

9-5 To receive deposits from member banks and U. S. Government;

10-5 To discount notes, drafts, and bills of exchange of commercial, and industrial transactions of 90-day maturity;

11-5 To discount bills of exchange based on agricultural transactions, or live stock, 6 months before maturity. (To a

limited per cent. of capital stock, fixed by Federal Reserve board.)

12-5 To discount acceptances based on exports and imports;

13-5 To buy and sell cable transfers, bankers' acceptances, bills of exchange eligible for discount in Federal Reserve Banks.

14-5 To deal in gold coin or bullion;

15-5 To buy and sell bonds, notes, revenue bonds and warrants of U. S.

16-5 To purchase from member banks, bills of exchange;

17-5 To act as fiscal agent for Government.

6-4 Management; Board of 9 Directors;

1-5 Three directors representing stockholdholding banks;

2-5 Three directors representing agricultural or other industrial pursuits;

3-5 Three directors elected by Federal Reserve Board.

7-4 Reserves (Federal Reserve Bank.)

1-5 35 per cent. against the deposits;

2-5 40 per cent. against notes in circulation;

8-4 Division on Earnings—

1-5 Six per cent. per annum dividend, on paid in stock, to stockholders;

2-5 One-half of other earnings paid to surplus until it is 40 per cent. of paid-in capital stock;

3-5 Rest of earnings paid to U. S. Govt. as Franchise Tax.

9-4 Federal Reserve Bank Examinations:

1-5 Comptroller of currency appoints examiner;

2-5 Examines bank once each year.
3-5 On application of 10 member banks Federal Reserve Board may order special examination.
10-4 Branch offices—
1-5 Federal Reserve Banks may establish in its district;
2-5 Management—7 Directors:
1-6 Four directors selected by Federal Reserve Bank;
2-6 Three directors selected by Federal Reserve Board.
5-2 MEMBER BANKS
1-3 Reserves—
1-4 Banks not in reserve or central reserve city—
1-5 Must hold 12 per cent. of demand deposits;*
2-5 Must hold 5 per cent. of time deposits.*
3-5 One-third of reserves to be held in member banks own vaults;
4-5 Five-twelfths of reserves to be held in Federal Reserve Banks;
6-5 Remainder at option of member bank.
2-4 Reserve City Banks must hold-in reserve—
1-5 15 per cent. of demand deposits;
2-5 5 per cent. of time deposits;
3-5 One-third in its own vaults;
4-5 Two-fifths in Federal Reserve Bank;
5-5 Remainder optional.

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*Demand deposits within the meaning of this act comprise all deposits payable within 30 days; and time deposits, all deposits payable after 30 days.

3-4 Central Reserve City Banks must hold in reserve—
1-5 18 per cent. of demand deposits;
2-5 5 per cent. of time deposits;
3-5 One-third of this reserve to be held in its own vaults;
4-5 Seven-eighteenths in Federal Reserve Bank;
5-5 Remainder Optional.
2-3 Loans on Farm Lands—
1-4 To run not more than 5 years.
2-4 Limited to not more than 50 per cent. of land values;
3-4 Such loans not to exceed 25 per cent. of demand deposits, or one-third of time deposits of bank.
3-3 Examinations:
1-4 Comptroller of Currency appoints examiners;
2-4 Must be examined twice each year.
3-4 Federal Reserve Bank, with approval of Federal Reserve Board, may order special examination of member bank at any time.
4-3 Foreign Branches—
1-4 Any National bank with $1,000,000 capital may establish a foreign branch;
2-4 Foreign Branch will be fiscal agent of the U. S. Government.

Per Capita of Money in the Principal Countries of the World

Taken from Report of Comptroller of the Currency for year 1911

Countries	Uncovered Paper	Gold	Per Capita Silver	Per Capita Paper	Per Capita Total
United States	$784,600	$18.35	$7.83	$8.41	$34.59
Austria Hungaria	143,500	7.07	2.56	2.84	12.47
Belgium	135,300	3.33	2.05	18.53	23.91
British Empire:					
Australia		46.30	2.33	.....	46.63
Canada	76,800	17.45	1.08	12.39	30.92
United Kingdom	115,200	14.44	2.60	2.56	19.60
India	38,900	0.05	0.49	0.13	0.67
South Africa	.....	8.38	2.56	.....	10.94
*Straits Settlements	7,500	1.37	23.44	4.69	29.50
Bulgaria	9,800	1.53	1.20	2.45	5.18
Cuba	.....	20.00	2.38	.....	22.38
Denmark	13,500	14.04	2.96	5.00	22.00
Egypt	6,700	16.19	1.40	0.59	18.18
Finland	11,500	2.45	0.17	3.96	6.58
France	223,000	23.67	10.47	5.67	39.71
Germany	276,100	2.93	3.83	4.34	11.10
Greece	24,600	8.31	1.15	9.46	18.92
Haiti	8,200	0.87	1.67	5.46	8.00
Italy	182,300	7.79	0.71	5.38	13.88
Japan	89,300	1.36	2.36	1.69	5.41
Mexico	51,200	2.10	4.12	3.76	9.98
Netherlands	60,300	11.97	5.74	10.39	28.10
Norway	5,400	6.00	1.48	2.35	9.83
Portugal	72,600	1.59	6.89	13.44	21.92
Roumania	38,100	2.90	0.03	5.60	8.53
Russia	.....	6.24	0.51	.....	6.75
Servia	5,300	1.82	0.54	1.89	4.25
Siam	2,100	0.01	7.06	0.30	7.36
South American States:					
Argentina	487,800	36.21	1.34	69.69	107.24
Bolivia	4,000	1.09	0.22	1.73	3.04
Brazil	.....	4.80	1.22	.....	6.02
Chile	53,400	0.15	0.80	15.26	16.20
Colombia	†10,000	.....	.....	2.33	2.33
Ecuador	2,000	3.00	0.87	1.33	5.20
Guiana	.....	.....	.....	.....	.....
British	500	0.33	1.33	1.67	3.33
Dutch	200	1.00	3.00	2.00	6.00
French	600	1.00	1.00	6.00	8.00
Paraguay	33,000	0.38	.....	41.25	41.63
Peru	.....	2.71	0.53	.....	3.24
Uruguay	1,700	14.09	3.91	1.55	19.55
Venezuela	4,300	1.27	4.42	1.65	7.34
Spain	76,000	5.42	8.82	3.85	18.09
Sweden	32,400	4.59	1.59	6.00	12.18
Switzerland	25,400	19.60	4.09	7.70	31.39
Turkey	.....	5.50	1.10	.....	6.60
‡Central Amer. States	14,500	0.30	1.01	2.74	4.05
Total	$3,127,600	$6.40	$2.52	$3.03	$11.95

* Includes Straits Settlements, the Malay States, and Johore.
† Except Costa Rica and British Honduras (Gold standard countries).
‡ This amount has been reduced to a gold basis: that is 100 pesos equal 1 United States gold dollar.

Lesson XXXIX

1. What touches markets and prosperity at more points than any other agency?
2. Name some of the faults of our banking system sought to be remedied by the Federal Reserve act?
3. What can you say of the bank failures since the Civil War?
4. What of centralization of money and credits?
5. What is *real money?*
6. What is redemption money?
7. What is fiat money?
8. What is credit money?
9. What is uncovered paper?
10. What is uncovered money?
11. What is receivable money?
12. How many kinds of money have we, and the amounts of each?
13. What is asset currency?
14. What principles are in the new law that found no favor for years among our dominant financiers?
15. In discussions on the new law, what were some of the pivotal points of difference?
16. What is prime commercial paper?
17. Where does the farmer come in on this new law?
18. What controversy arose among business men concerning commercial paper?
19. Give some of the things our financial system should secure.

Lesson XL

1. Give the main features of our banking systems which our federal reserve act repealed.

2. What are the differences between the powers and privileges of State banks and National banks?

3. What kinds of corporations does the National Government charter, and what kinds do the States charter?

4. Is there any difference between being chartered and being incorporated?

5. Can anyone run a private bank who wants to and has capital?

6. Are private banks chartered?

7. What is a trust company?

8. What does the national constitution mean when it says that "Congress shall have power to coin money and to regulate the value thereof"?

9. Give the names, amounts, and legal tender qualities of our various kinds of money.

10. Have we *any kind* of money that is a full legal tender for all debts, public and private, receivable for all debts, dues and demands of the government, at its *face* value?

Lesson XLI

1. What is the name of the new financial law?

2. What are some of its ostensible purposes?

3. What is meant by "Federal reverse bank"; "Federal reserve district"; "Reserve city"; "Central reserve city"?

4. Is it optional, or obligatory, for national banks to become stockholders in the federal reserve bank?

5. How about State banks becoming members?

6. What are the requirements as to capitalization? Who may deposit?

7. What are the powers and privileges of the Federal reserve bank?

8. What has the Government as security behind its banknotes furnished the Federal reserve banks?

9. How is a Federal reserve bank organized and controlled?

10. What are the functions of the Federal Reserve Board?

11. Who besides banks might be stockholders in the Federal reserve banks?

12. How are the earnings divided?

13. How about branch officers?

14. What are the requirements in the reserves of the various banks?

15. How about loans on real estate?

16. How about foreign branches?

17. What country has the largest amount of money per capita?

18. What country has the least amount?

19. What country has no metal money?

20. What countries have no uncovered paper money?

CHAPTER XXVIII

Rural Credits in the United States

So long as we have the gold standard the only way the farmer can get connection with gold-covered currency subject to rural credit call is to tie up with a regional bank by owning a national bank. A rural credit bill for short time credit should provide for the Farmers' Cooperative bank to join the Federal Reserve Union. The currency, backed by the gold reserve, which the commercial bank now has provided, is beyond the reach of the farmer without this connection. The prices of commodities of the world do not now function in terms of gold except relatively. Exchange value, based on use, tilts the beam of markets regardless of metal barter.

The United States Commission, appointed by Congress to study rural credits in Europe in 1913 (and accompanied the American commission which studied organized agriculture in all its phases) prepared a bill for the establishing of a system of rural credits in the United States. This bill was introduced into both houses of Congress and referred to sub-committees on Banking and Currency during the session of 1914. Extensive hearings were held, and representative men from all over the country came before the joint committee to present their views. Very naturally, the bill formulated by the United States Commission became the storm center of the discussion.

SOME OF ITS FEATURES

1. It provided for a commissioner of farm land banks to be at the head of a bureau of land banks in the department of the Treasury.

2. Also for the granting of federal charters to national farm land banks.

3. The State laws must provide for simplified land-title transfers, registration and conveyance and foreclosing of mortgages;

4. For amortization in payment of debt.

7. For co-operative banks.

5. For a land bank to be founded by ten persons.

4. For amortization in payment of debt.

8. With minimum capital stock of $10,000.

9. Said banks to receive deposits to an amount not to exceed one-half of paid up capital and surplus; postals savings to the same extent.

10. To loan on farm lands in the State.

11. To make loans upon farm lands anywhere within the State in which such national farm-land bank is operated, provided—

(a) That such loans are made for not more than thirty-five years;

(b) That such loans are secured by a first mortgage or deed of trust on farm lands;

(c) That such loans shall be made for any of the following purposes:

(i) To complete the purchase of the agricultural lands mortgaged;

(ii) To improve and equip such lands for agricultural purposes;

(iii) To pay and discharge debts secured by mortgages or deeds of trust on said lands:

(d) That such loans do not exceed fifty per centum in amount in the case of improved farm land, and

do not exceed forty per centum in amount in other cases of the value of the said lands, to be determined by an appraisal as provided in this act.

(e) That every such farm-land loan contain a mandatory provision for the amortization of such loan, or reduction of same by annual or semi-annual payments on account of principal: Provided, That the loan extends over a period exceeding five years.

(f) That every such loan may be paid off in whole or in part by the borrower, in acordance with rules to be prescribed by the commissioner of farm-land banks, at any interest period, after such loan has continued for five years, by the payment of the whole or a part of such loan, with interest to such date, after crediting the amortization payments on the same as when they were made.

12. To issue, sell, and trade in its own collateral trust bonds, which shall be known and described as "national land-bank bonds," secured by the deposit, as elsewhere provided, of first mortgages or first deeds of trust (and of notes or bonds secured thereby), in an amount equal at least to the face value of the national land-bank bonds so issued and sold by the said bank: Provided—

(1) That the rate of interest upon the farm-land loans evidenced by the mortgages or deeds of trust held by the bank as security for its own national land-bank bonds shall not exceed the rate of interest paid on such national land-bank bonds by more than one per centum annually upon the amount unpaid on the loan, which said one per centum shall cover all charges of administration.

(2) That all national land-bank bonds issued by the said bank shall be payable on a date specified and shall be subject to call at par, at any interest period,

after the date of issue, or after a specified time, by such proper notice and advertisement as may be provided by the commissioner of farm-land banks.

(3) That such national land-bank bonds shall be always protected by the deposit, as security therefor, of at least an equal amount in face value of first mortgage or first deed of trust farm loans (and of notes or bonds secured thereby), maturing not less than five years after their date.

(4) That as the amortization payments are credited upon the first mortgage or first deed of trust farm loans so deposited as security, the national land-bank bonds issued by the bank and secured thereby shall be called and paid, or purchased in the open market and retired, to the extent of the credits made upon such first mortgage or first deed of trust farm loans held as security for the same, under rules and regulations made by the commissioner of farm-land banks.

(5) That the first mortgage or first deed of trust farm loans (and the notes and bonds secured thereby) held as security for such national land-bank bonds shall at times be in the joint possession and under the joint control of the said bank and of the Federal fiduciary agent hereinafter provided for, and that a register of such first mortgages or first deeds of trust shall be at all times kept by the bank, entries or cancellations in which shall only be made with the approval in writing of such Federal fiduciary agent.

(6) That no national land-bank bond shall be issued against any mortgage, deed of trust (or notes or bonds secured thereby) which falls due earlier than five years after its date.

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13. To use its capital stock, surplus, and deposits as a revolving fund for the temporary purchase or

holding of such first mortgage or first deed of trust farm loans; or to use the same for the purpose of buying in its national land-bank bonds and holding them temporarily, so as to maintain the price of the same; or to loan its capital and surplus on first mortgages or first deeds of trust for a period not exceeding five years, Provided, that not to exceed fifty per centum of such capital and surplus may be permanently invested on such national land-bank bonds and in first mortgage or first deed-of-trust farm loans, and the remainder of the capital and surplus can be permanently invested only in United States Government bonds, in the bonds of the State in which such bank is operated, or in such other securities as may be authorized by the commissioner of farm-land banks.

14. To buy and sell gold and silver coin and bullion; to collect notes, drafts, and bills of exchange; to discount commercial and other short-term paper and deal in national land-bank bonds of other farm-land banks with its deposits; to keep reciprocal accounts with other banks; to rediscount its commercial and other short-term paper with other banks; and to carry on a general banking business so far as its current deposits are concerned. Provided that such deposits do not exceed fifty per centum of its capital and surplus, except as elsewhere herein specified, Provided, however, That farm-land banks, cooperative, may for and with their stockholders also do and transact the business now possessed and exercised by national banks under the laws of the United States, under such rules and regulations as may be prescribed by the commissioner of farm-land banks.

SPECIFIC LIMITATIONS

Every national farm-land bank shall be subject to the following specific limitations:

(a) The amount of national land-bank bonds that may be issued and outstanding at any one time by such national farm-land bank shall not exceed fifteen times its capital and accumulated surplus.

(b) The charges of administration imposed by such national farm-land bank upon the borrower for handling such loan shall not in each instance exceed an annual charge of one per centum upon the amount unpaid on loan.

(c) The payments to be made annually, or semi-annually, by the borrower shall in all cases be sufficient to pay the interest charge upon the loan, the administration charges of the bank, and an amortization payment sufficient to retire and pay off the amount of the principal borrowed (as evidenced by the face of said first mortgage or first deed of trust and the notes or bonds secured thereby), at its maturity.

(d) No national farm-land bank shall at any time loan any money upon the faith or credit, or upon the assignment, of its own stock, or of the stock of any other national farm-land bank; nor shall any national farm-land bank loan to, or on the credit of any one individual or institution, either on the security of land or on any other security, an amount in excess of twenty per centum of the sum of its then paid-in capital and surplus.

* * * * * * * * * *

Eighth. But no national farm land bank shall transact any business except such as is incidentally and necessary preliminary to its organization until it has

been authorized to commence business by the commissioner of farm-land banks.

HOLDINGS OF REAL ESTATE

Sec. 17. That a national farm-land bank may purchase, hold, and convey real estate for the following purposes and for no other:

First. Such as shall be necssary for its immediate accomodation in the transaction of its business.

Second. Such as shall be mortgaged to it by way of security for loans made by it, as elsewhere herein provided.

Third. Such as shall be conveyed to it in satisfaction of debts contracted in the course of business dealings.

Fourth. Such as it shall purchase at sale under judgments, decrees, or mortgages or deeds of trust, held by the bank, or shall purchase to secure debts due to it.

But no such bank shall hold the title and possession of any real estate conveyed to or purchased by it to secure any debts due to it for a longer period than five years.

EXEMPTION FROM TAXATION

Sec. 18. That every national farm-land bank incorporated under the terms of this act and the capital stock and surplus therein and income derived therefrom and the mortgages and deeds of trust (and the notes and bonds secured thereby) held by said bank and the national land-bank bonds issued by the same shall be exempt from Federal, State,

and local taxation, except in resepect to taxes upon real estate.

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LIABILITY OF STOCKHOLDERS

Sec. 31. That the shareholders of every national farm-land bank, shall be held individually responsible, equally and ratably and not one for another, for all contracts, debts, and engagements of such banks, to the extent of the amount of their stock therein, at the par value thereof, in addition to the amount invested in such shares, unless, in the case of national farm-land banks cooperative, by a two-thirds vote of the stockholders a larger liability shall be undertaken.

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PRIVILEGES GRANTED TO NATIONAL FARM-LAND BANKS

Sec. 34. That the national land-bank bonds of any national farm-land bank shall be available for the following purposes:

First. As security for the deposit of postal savings funds in such national farm-land banks and all other banks authorized to receive such deposits.

Second. As a legal investment for time deposits of national banking associations, as provided in the Federal reserve act and for the funds accumulated in savings banks.

Third. As a legal investment for trust funds and estates upon the charge of or administered by any of the courts of the United States.

Fourth. As a security for loans from national

banking associations to national farm-land banks or to individuals, for not exceeding five years, to an amount aggregating not over twenty-five per centum of the capital and surplus or to one-third of the time deposits of the national banking association making such loan. Such loans to be made and held by the national banking association making the same as being within the provisions of section 24 of the Federal reserve act, so as to permit national banking associations to lend to national farm-land banks, on their obligations secured by their national land-bank bonds, in place of making the loan directly on farm lands, as provided for in said section.

CRITICISM

(1) The provision for little local banks with no connection with each other or with any other banks, and with no aid from the United States or State governments, to be organized and empowered to appraise the land of its members, hold mortgages thereon and issue bonds and market them as best they could was certainly a weak feature of the law.

(2) There was indefinite provision for the liquidation of these local banks. As the loans could run for 35 years, how could they liquidate when there was no provision for the distribution of the loans among other units or the taking of them over by a State unit acting as a regional head?

(3) They were disconnected so as to compete with each other, which might easily take the form of over-appraisement but were handicapped in competition with other banks in being limited in the amount of deposit they could receive and in the kind of loans could make.

(4) On the point of creating confidence in the buyers of the bonds, the advantage of the State system is apparent. With the local unit standing along through a serious stress, say from drought, flood or insect ravages, the props fall from under; whereas with the state unit the combined strength of all the local units can tide the local over the stress and keep its bond obligation at par.

(5) Bonds should be marketed only by the State organization, for the reason that if the locals could market independently, as the bill provided, and the investing public got the idea that the State unit was marketing only those bonds which the locals could not place, it would throw suspicion on the issue.

(6) Local appraisement in this case has a premium on exaggeration which a state appraisement would not show.

(7) The marketing of the securities is left in the bill to the local bank. Even States have trouble marketing bonds. What could the average fiduciary agent in a little local bank as is provided for in the bill do in the broad world market trying to sell bonds of an unknown value, backed by a concern that could never be widely known and by men without legal knowledge or business experience?

(8) The bill did not provide for standardizing the issue of these banks; the method of establishing sinking funds or the rates of interest.

(9) No kind of rural credit can answer the purpose that is not founded on the co-operative principle. We do not need other schemes for joint stock, profit seeking, commercial banks.

(10) In the event of selling mortgaged property, the bank should have the option of passing on the

purchaser, or requiring the payment of the mortgage.

(11) The federal reserve banks should be allowed to buy and sell these debenture bonds without guaranteeing them.

(12) As to relative expense of operating the system under state divisions or the independent local system, it is clear that the locals would have to contribute in proportion to the volume of business furnished by each to the support of the central organization, but the State system would obviate the necessity for the local fiduciary agent and evidently the marketing of bonds could be carried on much cheaper by one office for the State than by each bank independently, and inspection charges be reduced.

It will be noted that this bill asks for government loans. It provides for the using of government savings deposits and other government-controlled money. It is hardly consistent to oppose government loans to farmers and advocate government loans to farm-land banks at 2½ per cent., and allow the bank to loan it to the farmer at "the prevailing rate." These farm-land banks under its provisions can be started by anybody and they would be dominated by the lender and not by the borrower. The Supreme Court of the United States has declared that, when a bank receives money on deposit, it assumes all the responsibility of a debtor: so that the deposit by the government is equivalent to a loan. A strictly land-bank business requires unrecallable loans; so that if these land banks were permitted to receive unlimited deposits they would need to be allowed to make recallable loans.

It is not probable that money would come to the borrower at as low interest under a farm-land bank as from direct government loans, but the development

of initiative through the cooperation and business manipulation necessary to secure cooperative credit is worth considering. And the charge of government favoritism in making direct loans only to a special class would be obviated.

The bank must either be so small that the overhead charges are practically nil or it must be large enough for its profits to cover considerable overhead charges. Evidently one so small as to escape expenses would be handicapped in marketing its bonds.

Whatever is done with regard to long time loans on land there needs also to be a personal credit short time system, with savings and open account features. The money the farmer deposits in a commercial bank is loaned to commercial business and not to agriculture. What is needed is a system of revolving agricultural cash and credit that *stays* with agriculture.

It has been suggested that a rural credit system should be established on a modified building and loan association plan. There are but few parts of the country that would use the building and loan idea. It gets its capital from the members by a system of dues. If he pays in a while and allows his payments to lapse he loses what he has paid. It is the old insurance idea. Payments required of a farmer oftener than once a year are not suited for farm credit. The country is already over-organized by fraternities requiring the payment of heavy dues.

It is also true that the mortgage basis for farm loans would be handicapped in some states by laws that the people will not repeal. Ever since the days of the Republic the State of Texas has had an organic provision prohibiting the mortgaging of a homestead—even though the husband and wife sign it. A

vendor's lien is the nearest approach to a mortgage that can be had on a homestead.

If government aid is given it could take the form of an endowment loan, to be repaid by amortization.

The legitimate function of money is to facilitate transfer of title. The legitimate end of finance is to facilitate production and distribution. When prostituted to other purposes it becomes a tyrant. This country has shown the greatest industrial and commercial development ever seen in the history of the world. Finance and commerce have joined hands and worked together with a consummate skill. Agriculture has stood aloof and paid the penalty of its isolation.

We have also developed a system of financial banking which is superceding commercial banking. The manufacture and sale of securities has grown to be an "industry" in the line of trust promotions.

Plants are merged into an over-capitalized concern which is made to absorb the mass of securities by holding out prospects of large profits. When the investing public has purchased these securities they are then anxious for the trust to make good the promise of profits, and by this means a constantly increasing number of citizens become accomplices in monopoly and foes of trust legislation, and work against the common weal, to make good the over-capitalized stock. The earnings of the company are capitalized until a trust, originally half water, may get to be worth dollar for dollar at physical valuation for the entire stock issued. With the good money thus obtained by these promoters the security sellers get a fresh grip on the country's solid resources. It must be borne in mind that it is only when a business has control of the market that over-capitalization

makes for higher prices, for without monopoly competition would cut out the profits on fictitious stocks.

The largest banks, trust companies and insurance companies have massed capital under one management to be employed, not as the servant of commerce and to facilitate exchange, but to subordinate commercial demands and to finance corporate securities controlled by the interlocking directorates.

Through all the plans proposed by the bills that had been introduced and widely discussed prior to 1913, and all the recommendations of the Monetary Commission, and all the plans advocated by the National Citizens' League for the Promotion of Sound Banking, we looked in vain for anything covering the needs of the farmer on the following points:

(1) Time exchange extending for a year, so as to help him perform the carrying function in the marketing of his crops.

(2) Long-time loans suitable for poor men to buy land and pay for it by amortization, thereby checking tenancy and promoting home ownership.

(3) Providing for the loaning of postal savings deposits in the vicinity of the deposits for agricultural purposes.

(4) Providing debentures for investment that will encourage home ownership *versus* absentee landlordism.

Cooperative banking should recognize each factor necessary for its successful operation.

These factors are: (1) Stockholder, (2) depositor, (3) borrower, and if subsidized by the Government, (4) the State or National Government furnishing part of the funds. The banks of the United States have been run for stockholders and not for the service of the people. Commercial banking is a

profession and not a mere means to an end, and that end the service of business, as it should be.

Each depositor in the land reserve bank—whether individual or bank, or other corporation—over a prescribed amount—should have one vote; the borrowers from each local bank through which loans are secured have one vote; each stockholder one vote, and if the Government has an interest it should have a vote for each interest in proportion to all the other interests concerned. The mortgages upon the property of the borrower are pooled into one individual security for all the bonds the land-bank issues, and it will be to their interest to have it operated on the soundest basis and in the safest manner.

Experience has shown that the only practical method for a farmer to pay a loan secured by his land is by amortization. The annual sum paid by the borrower to be composed of the interest, the prorate of the cost of the business, and an installment on the principal. By this process the amount of interest decreases and the amortization item increases till the debt is extinguished, the percentage of the capital to be paid each year depending on the term of the loan.

The land bank markets land bonds secured by its mortgages at whatever they will bring in the open market in the form of debentures suitable for small purchasers as well as large ones.

The annual payments upon the principal earn interest in the land bank or save interest when used to buy in and retire bonds, so the borrower gets the benefit. The borrower should also participate in all the earnings of the land bank in profits above surplus. The larger the amortization and the lower

the rate of interest the sooner will the annuity liquiland-bank at par. This would have a tendency to date the debt.

It could be provided that borrowers may pay their land debts either in money or the debentures of the maintain the price of the bonds at face value. They could be registered or coupon bonds, as the investor preferred, as is now the case with postal savings bonds. Each bank should act as an agency for buying and selling these bonds. Each bond is secured by all the assets of the land bank—reserve, surplus and mortgages held. No bond is to be issued against any specific mortgage, but all are pooled as security for all outstanding bonds.

One of the curses of American agriculture is absentee, landlordism and tenancy. Farmers who accumulate a competency, and, for one reason or another, move to the towns or cities and rent their farms can not keep their farms as productive as they left them, in as good repair, and get a net increase from the investment. It takes all of the rent to keep the farm and its improvements in proper repair. This leads to deterioration of most farms cultivated by others than the owners. If there were safe investments, paying a reasonable per cent., that was safe and unquestionable, requiring no attention or worry, these absentee landlords would sell their farms to the homeless and invest the money in the land-bank bonds. But they would prefer having cash for the farms and not wait for slow payment from the purchaser. This implies the need of a plan whereby the purchaser by paying, say, one-fourth of the purchase price, can have the land-bank pay the other three-fourths of its debentures and allow the purchaser the regular terms

to liquidate the debt by amortization direct to the bank.

Why not have mortgage credit banks dealing direct with farmers individually?

Because it would be a case of bargain-driving between individual farmers and individual banks. The movement in the early eighties for mortgage banks set on foot by bankers ended disastrously. On this point Ambassador Myron T. Herrick said, on the 11th of September, 1912:

"I think it would be most unfortunate if, after the public has awakened to an interest in this matter, ill-considered organizations should succeed in getting into the field and bringing about a repetition of the farm mortgage financial disasters of some twenty-five years ago. Therefore, I am most willing that authoratitive warning be made on this point."

Why not use land bonds as a basis for an issue of money?

Bond-secured currency has never been a success. Credit currency needs quick convertibility. Every effort to base credit currency on land or to overissue mortgage securities or to put mortgages in advance of the development of a region has resulted in a disastrous failure. We have examples in the John Law French assignats, based on untold natural wealth of French possessions; in the Cedula or Argentine land debentures, and kindred experiences.

Let's get a few fundamentals:

Question: What are the purposes of rural credits?

Answer: (1) To bring into existence a banking and currency system that is as well adapted to agriculture as our present banking and currency is to a commercial business: (a) by extension of time on land payments so as to allow liquidations by small

installments; (b) by making available in open account funds for agricultural operations below the average profits in farming; (c) by enabling farmers to finance cooperative marketing.

(2) For the financial and social betterment of country life, that over-urbanization may be checked and tenancy changed to home-ownership.

Question: How many kinds of rural credit?

Answer: Two kinds with subdivisions of each: (1) Long-time land loans: (a) for purpose of purchase; (b) for purpose of production or improvement.

(2) Short-term loans on personal security; (a) for productive purposes; (b) for other purposes.

Question: What are the possible sources of money supply?

Answer: Three: (a) by subvention; (b) by bonds or debentures; (c) by deposits and shares.

Question: What are the functions of rural credits?

Answer: (1) To aid in mobilizing security; (2) to furnish an adequate means of rediscounting agricultural paper at cost.

All long-time credits are based on land, which involves the mortgaging of the land that bonds may be issued on the collective guarantee of the mortgages held in pool.

Is bonding dangerous? Quite a number of people are shocked at the thought of making it easy for one to go in debt on easy terms, and that, too, by abolishing exemptions. Moralize against debt all we will, it is quite evident that those who have succeeded in floating the heaviest debts have gathered the harvest. It all depends upon the relation of the cost of the debt to the profits of the business.

The farmers owe about $3,000,000,000, of which $2,000,000,000 is backed up by farm mortgages already. The public debt of all the nations of the earth is estimated by the Bureau of Universal Statistics at $42,960,000,000. The public, corporate and private debts of the United States are estimated at $80,000,000,000.

From returns made directly to the *Wall Street Journal* by the various treasurers it is shown that the governmental expenditures in all the States has risen from $189,000,000 in 1901 to $423,000,000,000 in 1911. At a similar rate of increase the country and municipal taxes rose from $912,000,000 in 1901 to $2,082,000,000 in 1911, making a total for State and local purposes of $2,505,000,000. Add to this the expense of the federal government of $650,000,000 and we have for yearly governmental expenditures alone the stupendous sum of $3,155,000,000. Most all of our big corporations and trusts are heavily bonded, or mortgaged, or both. The most prosperous farm district of the United States is heavily mortgaged. The most important agricultural section of the United States is the Upper Mississippi Valley. In the States that would be touched by a circle of 500 miles' radius, with center at Chicago, is found 23 billion out of the 40 billion dollars of all farm property in 1910 and 53 per cent. of all the improved farm land in the United States. These States raise considerably over half of the live stock in the United States and $1,800,000,000 out of the $2,700,000,000 worth of cereals. To express this in percentages this area contains 57.7 per cent. of the value of all farm property, 60.7 per cent. of the value of all farm lands, 51.3 per cent. of all the cereals as measured by value. If we exclude cotton, as confined to the

Southern territory by climatic conditions, the overwhelming predominance of this section would be even more evident. Nor is this domination declining with the development of other sections of the country. On the contrary, it gathered to itself 60 per cent. of the value added to farm property during the last decade.

Eighteen of the leading insurance companies of the United States have loaned on farm mortgages in the various States the sum of $414,000,000. Of this sum the State of Iowa has absorbed more than one-fourth or 25.5 per cent.; Kansas is using 8.8 per cent.; Nebraska, 9.8 per cent.; Missouri 8.6 per cent.; Minnesota, Indiana and Illinois, 7.1 per cent. each. The farmers in these states have been able to make more than the interest charge on their debts. If a rural credit system is established perhaps more of these mortgages will be shifted to the land bank. Then, the insurance companies would invest in the bonds instead of holding the mortgages direct. People who own farms but have moved to town, for one reason or another, and live on the rent from the land, would be inclined to sell the land and invest in land bonds rather than see the land depreciate in value because of neglect by renters.

Credit is a good thing for those who know how to use it—so is a buzz-saw. It is an instrument of destruction when improperly used. It may be a means of securing ownership or it may be the means of losing ownership. To make a system of rural credits worth while and avoid disastrous results two things must be well guarded: (1) The borrower must be protected from the aggressions of the lender in terms and rates. (2) The lender must be protected from improvident

borrowers. Experience has taught that the best way to safeguard loans is to restrict them to realty investments and productive purposes. Experience has also taught that the best way to insure the borrower against extortion is to have him own and control his own lending institution, as is done in the cooperative banks of Europe. There is only one other way, and that is for the Government to take charge of the loaning and make a flat rate as low as it can float its own bonds, plus a fraction of a per cent. to cover cost of administration. Where this has been undertaken by Governments it has been to help agriculture by indulging farmers in the purchase of land or for farm development. This method appeals very much to farmers, as it allows each to deal individually with the source of the loan and avoids the necessity for mutual groups acting together to secure the loan. It unifies the interest rate more effectively than can be done by any other means. But for the Government to step down and do this for one class and for no other class will very naturally cause to be raised a strenuous protest on the part of those of other classes and vocations. Especially is this true in a republic where paternalism for a class is contrary to the spirit of republican institutions. In the language of the National Secretary of the Farmers' Union, Mr. A. C. Davis, I will say:

"It is not so much the getting of cheap money that will count, as it is the use to which it is put. *The greatest benefit that has come to the European farmer is not cheap money, but the cooperative method through which he has secured cheap money.*

"The mere fact that an individual can walk up to a government official and secure a loan for a long time at a low rate of interest will count for very little in

solving the rural problem unless he and others like him combine the sums thus obtained to finance the production and sale of the farm crops. So long as we allow private greed to monopolize our business, we can expect to be manipulated as easily with money at 4 per cent. as at any higher rate which we may now be paying. Monied interests will adjust themselves accordingly, and there you are. Labor people need expect no benefit from a rural credit system unless farmers use the money to eliminate unnecssary middlemen and sell more directly to consumers. Cheap money will not be a guarantee of prices to farmers, and that is the thing that makes for loss or for profit. Prices can be so manipulated that though you could borrow without paying any interest it would avail nothing."

But I am solicitous for those whom this scheme would not reach. Is there no record in the annals of history where Government went to the relief of the lowly? Can the Government afford to set the example by doing such a thing?

I consider Mr. H. W. Wolf the greatest living authority on rural credits, and in his address before the American and United States commissions at Dublin, in speaking of personal credit banks, he said:

"I do not think the Government should interfere in their work, and to show what State interference will do I want to tell you what happened to a Prussian Raiffeisen bank through State interference. In 1895 a State-endowed bank was formed in Prussia to finance a cooperative credit society. Up to that time the Raiffeisen unions had been solvent. In 1895, when this bank was formed, they said, "No; we don't want any assistance; we have money enough, and we ask you for nothing." However, the financial peo-

ple brought pressure to bear, and eventually they entered negotiations, and consequently they rather overrated the amount of money at their command, and a few years later found themselves in a very serious difficulty. They had speculated and had some pretty hard times. They got out of it only by rather heroic methods, and I do not think there will be any losses in the end, for the contributions of the other societies will be repaid. Now that these Raiffeisen institutions are free from State aid they are doing well again.

"Go about it privately and you will find that even the Imperial Federation, in Prussia, which relies on State advance, is heavily impoverished with the interference it has to submit to. For what the State gives it asks about ten times the amount in return." The head of this union complained to me, in 1898, "We can not stand it any longer." There followed rebellion; and when the State wanted to tighten the strings the unions grew very restless and said, "We will make ourselves independent. We have 150,000 pounds, and will throw off this Government yoke." The only banking aid they had open to them was the State banks, so they went to the Raiffeisen Union to try and make its society the collective agencies for its own work, and in return to act as agent for them and cash their bills; but the Raiffeisen societies would not consent to this. Then they went to an ordinary joint-stock bank, one of the largest in Germany. This institution does not tie them to exclusive business; and to both parties this is a far more satisfactory arrangement. Even the tradesmen societies, which have been favored in every respect, openly say they would like to break with the State.

"In France you have seen the system of the Credit

Agricole; there is unrest, and the result of the State aid has not been what they had expected. I understand that you have visited some of the French banks, where they really have accumulated a reserve fund. That is what State aid is intended for; but only in one or two districts has it actually been done. A select committee of the French Chamber of Deputies, reporting recently on credit to be given to the trading classes, points out that in agricultural banks supported by the State in France the people did not repay as they should. The money being advanced by the State according to this report, some of the people did not expect to have to pay it back."

It takes $1,750,000,000 annually to move three of our staple crops, viz., cotton, $1,000,000,000; wheat, $650,000,000; tobacco, $100,000,000. (Corn is not moved bodily by money as the articles here named.)

The value of the crops marketed by the farmers is something over $6,000,000,000, or about twice the amount of the entire money of the country. So if it were paid in cash the farmers would pocket every dollar of money in the country once and the most of it again every year. If farming is to hold its own with other vocations in the modern struggle of business the first fundamental idea for farmers to get into their minds is that they, through their own cooperative organizations, must control the entire business connected with agriculture. Agriculture should finance itself and do its own distributing. Rural credits is a means to an end. There are countries without rural credits that have prospered by cooperative agriculture but their commercial banking and currency facilities were adjusted to agriculture and commerce alike. This has not been done with us and is not likely to be done from the nature and conditions of American banking.

But Mr. Wolf is not opposed to Governments doing as Denmark is doing. On page 551 of the report of the American Commission in a statement of Denmark's method:

"By Mr. Waage. I shall give you a report of the small farmers' Credit in this country under the control of the Government and aided by the Government loans. In 1899 the Government called this system into existence—first, for a period of five years and later renewed for five or ten years. The State has put at the disposal of the people who want to start small farms some millions of crowns; it started with 2,000,000, and now it has been increased to 4,000,000 per year at 3 per cent. The loans the Government has granted in this way amount to 25,000,000 crowns."

The Government puts up nine dollars to one of the farmer.

Neither does Mr. Wolf oppose the policy of England in her dealings with the Irish peasants, in helping them become home owners. On page 865 of the Report of the American and United States Commission we find the following:

"Some of the facts elicited are as follows: The estates commission of three members, appointed for life, had its origin in the Windham Act of 1902, dealing with the division and purchase of estates by tenants. This commission now handles about 8,000,000 pounds per year, all used for the purchase and division of estates.

"These estates may be purchased at a voluntary sale from the owners or (within the area of the congested districts board) the sale may be made on compulsion. At present the sales are almost all voluntary. Since its inception the estates commission has

purchased and resold about 8,000,000 acres, valued at 90,000,000 pounds.

"The congested districts board is a larger commission, also nominated by the Government, and has for its object the division and sale of estates in nine western counties of Ireland, where the congestion of tenants was such that the cottager was unable to make a living on his small parcel of ground. This board has purchased land worth perhaps 3,000,000 pounds, of which it has sold about 1,000,000 pounds to date.

"The procedure is about as follows: a large estate, perhaps entirely in pasture land, is put up for sale. The officials appraise it with reference to its productiveness. If the price asked by the owner is satisfactory the estate is purchased, and the owner paid in Government land, scrip, or stock bearing 3 per cent. interest. Hitherto the voluntary seller has been given a bonus of 12 per cent. of the purchase price, but this bonus seems to have been withdrawn recently.

"Estates sold under compulsion the Government must pay for in cash. As a matter of fact, there are three methods of payment for land: (a) in stock, the usual and immediate payment method; (b) in cash, an option which is rarely resorted to, since the prospective seller must in this case await his turn, for cash sales are often very long delayed; (c) or partly in cash and partly in scrip.

"Once purchased, the estate is divided into tracts of 25 or 30 acres; line walls are built if necessary, a house is constructed at a cost of about 200 pounds, and the place is sold to a tenant, preferably a former tenant on the estate, sometimes a purchaser from some other district. Since there are frequently 25 to 40 applicants for each holding it is not difficult to

find honest, capable, industrious purchasers. Very often an estate is purchased by the tenants thereon by mutual agreement with their former landlord as to purchase price. The Government buys the estate, pays the landlord in stock or scrip, and sells it in small holdings to the tenants, who thus become the debtors of the State.

"The small holder, who may have no capital—and seldom has enough to stock the holding—pays at present 3 per cent. interest on the purchase price and one-half of 1 per cent. amortization, or a total of 3½ per cent., payable in semi-annual installments. This rate amortizes the debt in about 62 years. The purchaser is given a title to the land, pays taxes on it, and may transfer his equity at any time he chooses.

"Out of the 90,000,000 pounds sold the failures to pay the installments promptly have been inconsiderable. In the county of Cork the defaults have been nil. In case of default or failure the installments are paid out of the county exchequer, hence the tendency to pay promptly is warmly applauded and the slow payer is frowned upon. The results of this system seem to be excellent."

We find on page 662 the following from Mr. Dop, vice-president of the International Institute of Agriculture:

"Agricultural Credit in France is cheap; and this, in my opinion, is one of its most important features.

"The problem of how to discount agricultural paper at the lowest possible rate is the real difficulty in any agricultural credit system. To rescue the farmer from the evils of mortgage credit, often from the bondage of usury, and to secure him loans at a lower rate of interest than is usually required by ordinary banks would seem to be a difficult and even an im-

possible task. Yet the problem has been solved in France in a most practical and profitable manner, as the rate of interest charged the farmer varies from 2 to 5 per cent., according to the length of time for which the loan is made.

"To organize agricultural credit so that it may be adaptable to all the requirements, to all the needs, to all the incidents which may arise in the complex business of the farming industry is an ideal which it would seem difficult to attain without derogating from the basic principles and without weakening the very foundations on which the edifice of rural wealth reposes. Yet this seeming impossibility has been rendered possible, thanks to the good will and the ability of our legislators, and thanks more especially to the suppleness of the organization which they have built up to meet the varied needs of our farmers."

Mr. Wolf, on Cooperative Banking (page 244) says:

"Another most successful offshoot of the landschaft system is the Boden Credit Institute of Hungary, which has to some extent been based upon the possession of an independent capital figuring as a reserve fund. In addition to the 1,000,000 crowns (something over 40,000 pounds) granted by the Government, 209 founders subscribed collectively 13,900 pounds, with liability for nine times the same amount, held in reserve. This seems to have been considered necessary for making the institution go on new, untried ground."

I respectfully submit that no cooperative institution for providing cheap money on farm lands would be able to start off of its own initiative without the help of some outside capital furnished by the State, or by individuals, to enable it to make a start.

Wolf further says:

"Gone it certainly has, and that exceedingly well. So well as, in course of time, to suggest the formation of a similar institute for mortgage loans for peasant lands. The Boden Credit Institute is intended for large properties only. It grants no loans below the amount of 2,000 crowns (or $400); and the majority of its advances to landowners are above that amount."

On page 249, Wolf says:

"The Government institutions have plainly done good, and have, above all things, achieved their particular purpose of bringing appropriate assistance to the small agriculturist."

On page 50, Wolf says:

"The Government institutions have certainly succeeded exceedingly well—better than our own joint-stock companies formed for the same purpose, and that without loss to the taxpayer."

Wolf (p. 253) says:

"The State-endowed institutions then have, on the whole, not a bad record to exhibit. They have placed money within the reach of the peasant proprietor, who was previously too small for the savings banks, which are abroad the great purveyors of mortgage money, to look at, since his business was, in each individual case, only petty and troublesome; who, furthermore, if not too small, was at any rate too distant from the pay office of the landschaften to deal with, and who was deemed altogether unworthy of the notice of the joint-stock mortgage banks. They have done this in an efficient, appropriate way by stationing their officers in every district and making application, valuation, and borrowing decidedly easier for those peasantry."

On page 256, Wolf says:

"They are borrowers' institutions. They may be regarded as landschaften with the cramping and hampering features of those institutions removed. They are borrowers' institutions, which admit any agricultural borrowers as members who desire to become so in their district. In respect to one point, they have departed rather materially from the principle of the landschaften. Persons desirous of furthering the movement are eligible as well, and many of them do take shares. In Saxony such members are required to be either agriculturists or land-owners. The idea of proceeding without a command of ready cash appears to have presented itself to the originator of this modern movement as so inconsistent with business principles that in both of the two countries to provide the first working funds an advance from the Government was accepted.

"In the Saxony society it amounted to 37,500 pounds, and was paid off within four years. In the Bavarian society it was considerable, beginning with 50,000 pounds, advanced free of interest, and another 50,000 pounds, since increased to 200,000 pounds, advanced at 3 per cent. interest."

On page 258, Wolf says:

"Absence of funds of their own would place such institutions at the mercy of the confraternity of bankers. With money in their pockets, the societies are able to meet such machinations, and to regulate the supply of the market so as to keep it absolutely at a steady quotation, which is not only desirable in itself and certainly benefits their credit, but it is an additional specially important to their members."

Cahill, on page 21, mentions, as one of the characteristic features of the State, provincial, and dis-

trict mortgage banks "a certain decentralization of business by the utilization of local officials."

And, on page 30, Cahill says:

"The organization of the latter," meaning the joint-stock land-mortgage banks, "was not capable of sufficient decentralization consistent with adequate returns upon the expenses incurred by the maintenance of local representatives or offices necessary for such business. In the case of the other banks which limit their operations to a province or a small district, adequate knowledge of intending borrowers and supervision over mortgaged estates is more easily secured, and the general expenses of administration are reduced by the fact that their administration, apart from those actually in permanent office employment, is largely honorary; nor were the land-mortgage banks inclined to seek such business."

1890 New Zealand was the worst bankrupt country on earth. A population of three-quarters of a million had a public debt of two hundred millions of dollars.

In a total area of sixty-six millions of acres, one hundred and eleven persons and corporations held seventeen millions of acres, while much of the remainder was held in large bodies.

In that thinly settled country emigration had set in, and in one year some twenty thousand persons emigrated to Australia and other countries.

The government has broken up many of the large landed estates, paying the owners the market value, and then selling the lands to farmers on all the time they want up to thirty-six years, with interest around 4 per cent. per annum. If the farmers lack working capital, it is loaned them on easy terms, with interest rates not over 4½ per cent. per annum.

The population has increased in twenty years (1890-1910) from 750,000 to 1,070,000. Of the 66,000,000 acres in the country, over 14,000,000 acres were privately owned in 1910.

It is to-day the wealthiest country per capita in the world, and its wealth is more widely distributed among the people than any others, except possibly Switzerland and Denmark.

In 1910 its foreign trade was one hundred and ninety-six millions of dollars, or $183 per capita. The same per capita rate in the United States would give us a foreign trade of seventeen billions of dollars, or about three hundred per cent. more than we had.

If Monarchies and Republics in other parts of the world can step down from their lofty perch and do these things, and we can not, which do you suppose will appeal to the people of this class as the better government for them? It is not philanthropy; it is not charity; it is not giving anything to anybody; it is statesmanship.

However, we all know that to go into reckless loans loosely administered would result in a calamity. We should not develop a hot-house nursery for the incapable, neither should we ignore and neglect so important a part of our population as those who produce half the food and the raw material for the raiment that is produced in the United States. Every other bite you eat comes from the bounty of their hands; every other article of raiment you use comes from the sweat of their brows.

Need of laborers.—If some one should say that we would have no laborers if they were allowed to own land of their own, I will say that when I hear of the dearth of labor I rejoice; for I know that means that all who are worthy are employed. But

when I hear of millions out of work I am alarmed: I know there is wretchedness and danger. Old Rome used to try to solve the unemployed problem by using them in the cities on public works and private extravagance, with feasts and amusements thrown in. We all know how much of a remedy that was.

Source of Funds.—If the Government should advance money, how should it be obtained? That depends upon whether we have sufficient money to answer the demand or not. It can be secured by deposits from the Treasury, by selling bonds, or by the issue of Treasury notes in like manner as is provided under the new banking and currency act which is to answer the needs of purely commercial business.

Class Legislation.—We expect the charge of class legislation is to be presented. It all depends on what we define as class legislation. If it means legislation that is for one class at the expense or to the injury of another, then this is not class legislation. If class legislation means legislation that favors one class without injury to another, this is class legislation. If class legislation means legislation that benefits one class with indirect benefits to another, then it is class legislation. I wonder how many laws are on the statute books that do not come under the head of class legislation under such constructions.

Lesson XLII

1. What is meant by the "Gold Standard?"
2. What is the process of rediscounting commercial paper through a Federal reserve bank?
3. Unless the farmer owns banks that belong to the Federal reserve union, how many tolls will he have to pay on the money which the government issues to

regional banks when he rediscounts his agricultural paper to secure it?

4. Give the leading features of the rural credits bill prepared by the United States Commission appointed to investigate rural credit abroad in 1913?

5. In what ways was it similar to the European system, and in what ways did it differ from all of them?

6. What is the legitimate function of money?

7. What is "financial banking"?

8. Name four things which rural credits should give that no bill drafted and no report of any public committee on finance ever proposed prior to 1913?

9. Is there a bank anywhere that allows depositors a vote in its management?

10. Form an amortization table to show how it operates.

11. Tell something of the failure of land mortgage banks.

12. Give the fundamentals of rural credits.

Lesson XLIII

1. Do our public expenditures about equal our volume of money?

2. What is the most prosperous agricultural section of the United States?

3. How do you account for it?

4. Why do eighteen of our largest insurance companies loan one fourth of all they place in land mortgages in one State?

5. Would safe debenture investments tend to cause absentee landlords to sell to renters?

6. What is the position of Mr. H. W. Wolf on

the subject of government aid to short-time personal credit banks, and what are his reasons?

7. How would rural credits help the farmer to retain and keep revolving in the country the money his crops bring?

8. What is the policy of Denmark in helping renters become home-owners?

9. What is England doing for the Irish peasants?

10. What is the Hungarian method of land banks?

11. What of German provinces?

12. What can you say of the conduct of New Zealand on this subject?

CHAPTER XXIX

Cost of Living

There are a few cardinal fundamentals in Economics:

(1) There is no end to the useful work that needs to be done.

(2) Cost is relative, and prices and cost of living are distinctly different things.

(3) The human species can exist on a very small margin of supply, yet can consume, or use, an unlimited amount of things desirable, measured by the power to produce.

It is quite possible for the people of a community to produce more of certain commodities than it can consume.

It is quite possible for people engaged in a certain line of industry to produce more than can be marketed at a fair price.

But it is impossible for mankind to produce more than it can profitably use and enjoy under a high standard of civilization, provided the industries are properly proportioned among the various departments of human activity. The difficult thing is to secure the proper adjustment. There is not a time when labor could not be profitably used in manufacturing, in improvement of farms, building roads, providing drainage, irrigation for production, sanitation, constructing, beautifying, etc.

Idle labor is a sign of maladjustment of industry. Revolutions are the landmarks of bad statesmanship. Lack of employment results from dearth of money with which to pay for service—of lack of demand for service. The condition of labor being plentiful and service being needed, and yet idle hands being in abundance, indicates an unwillingness of the workers to accept the wages offered and the unwillingness of the employers to give the wages demanded.

Dearth of money may result from lack of sufficient volume of money in circulation, or from a concentration of money in certain places, and consequently the idleness of hands in the communities drawn on for cash. The margin upon which people can exist and the amount they will consume if they possess the money necessary, determines the demand. The constancy of employment of all manual and brain workers determines the bountifulness of production. The power to consume determines the demand, and the price regulates the amount that can be profitably marketed.

Price is relative. It is quoted in terms of dollars. High price of articles of commerce or of service means low price of money. If things we buy are cheap, money is dear. If the price of money is low, the price of everything measured by it is high.

Legitimate cost is cost of economical production and economical distribution. All other expenses are useless and constitute a parasitic tax on the energies of mankind.

The purchasing power of labor is the only standard by which to judge fluctuations in price.

When prices of commodities go up and renumeration for work goes up at the same rate the cost of living is not increased.

When prices of commodities go down and renumeration for work goes down at the same rate the cost of living is not decreased.

When prices of commodities remain the same and renumeration for work increases the cost of living is lowered.

When prices of commodities remain the same and renumeration for work decreases the cost of living is raised.

Prices and renumeration for work, on the whole, go up or down as the volume of money increases or diminishes. High-cost living or low-cost living is not determined by the general level of prices. It is determined by the purchasing power of labor, and not by the purchasing power of the money paid to labor.

Let us consult the government reports for a moment and see how many hours those engaged in different occupations work to earn one dollar.

These figures are estimates based on the average wages paid on the farm, and the average paid to workers in the other vocations mentioned, without any line of distinction being drawn between wages and salaries. Neither is there any cognizance taken of the difference in the cost of living on the farm and in the towns and cities.

Mechanic working on plows, hoes, harvesters and reapers..... 3 hours
Wagon and harness makers..... 3½ hours
Railroad employees engaged in transporting products of the farm to market... 2½ hours
Farmers, based on farm values, 1911....10 hours

To make this clearer, the mechanic who works in factories making the plows, hoes, harvesters and other implements that the farmers use, to earn one dollar works three hours. The automobile, wagon- and harness-maker, for the farmer's use, works 3½

hours. The railroad employee who runs the trains which haul the products of these farmers to market works 2½ hours to earn one dollar. The farmer, who does all the work of producing, takes all the risk of drought and other hazards that go with farming, works 10 hours to earn one dollar. Is such a division indicative of equity?

The market cost of living affects the farmer least of all classes, for the reason that he produces so large a part of his living at home. True, the cost of production determines the cost of living, but this item does not reach the farmer so acutely as it does the urban laborer who must purchase in the open market everything he uses with the wages he secures.

The effect of an increase in the volume of money is to raise the general level of commercial values, and vice versa. Wages and salaries soon follow, but do not go up or down simultaneously with the rise or fall of commodity prices. As the increasing supply of the life blood of commerce enters the channels of trade it stimulates business and accelerates the movements of material progress. And the reverse effect follows a withdrawing of money from circulation. The advantages of increasing prices to the producer due to an increasing volume of money is not offset by an equal disadvantage to the consumer, as in the case when artificial causes raise prices to the consumer without any corresponding advantage to the producer.

The causes of the high price of living are three:

(1) Increase in money supply and credits.

(2) Monopoly extortion.

(3) Economic waste.

The first leads to higher standards of living, and

operates to increase prices to the producer, the distributer and consumer.

Just where the benefits derived from an increase of money supply reaches the point of diminishing returns is specifically indeterminate. The increased activities resulting from a gradually expanding system of credits based on money and tangible wealth have made this country's progress the marvel of the centuries. While the constant need for readjustment of wages and salaries to changing price-levels inevitably lead to hardship to certain individuals, it has nothing charged to it so disastrous as results from the reverse process—decreasing money volume, decreasing credit, and decreasing industrial activity. The power to consume is gauged by the remuneration received for labor and its products. The purchasing power of the remuneration must keep pace with the inflation of values or the point of diminishing returns is reached.

The complaint of high cost is world-wide. Every nation is experiencing in varying degrees the same process. So there must be a world influence as well as a national influence effecting an upward trend of commercial values.

The World's Stock of Gold.

In 1890 the world's stock of gold was $7,966,000,000
In 1900 " " " " " " 10,000,000,000
In 1905 " " " " " " 11,000,000,000
In 1910 " " " " " " 13,800,000,000
(N. B.—"Stock" does not mean "coin.")

The gold money in Europe and the United States in 1910 was $5,850,000,000.

All kinds of money in the same countries in 1910 totaled $12,827,000,000.

Commercial agencies have worked out what is termed an "Approximate Price Index," which is the totals of the prices by the pound of 96 articles of general consumption. That Price Index showed for 1895, 6.8; 1901, 7.5; 1904, 7.9; 1907, 8.9; 1910, 9.2; 1912, 10.

The world's *stock* of gold *coin* in 1893 was $3,900,000,000; the heritage of four centuries of mining. The world's *production* of gold from 1893-1910 was $5,152,000,000, the work of seventeen years.

One dollar would purchase, in 1910, as compared to 1896, 48c worth; in foods other than meats, 65c worth; in all other commodities, 67c worth; in all commodities, 60c worth.

A great deal of this rise has taken place in the process of distribution. Mr. Alfred L. Webb, steward of the Ringling Brothers' Circus for fifteen years, says: "It costs me only one cent more for each person in serving a meal for the circus than it did fourteen years ago. I know from the running expenses of my home that the cost of living has increased about fifty per cent. But the circus escapes because we cut out the middleman."

Economic Waste

The causes of the high cost of living are many under the division of Economic Waste. This waste is due to two causes: (1) crude methods; (2) parasites.

Under crude methods may be classed all wasted energies used in (1) doing foolish things because of bad judgment; (2) doing with crude or inadequate tools or machinery, and therefore getting poor returns for the energy exerted.

Under parasites there are two divisions: (1) the idle parasite, and (2) the industrious parasite.

Under idle parasite are two divisions: (1) the idle from choice; (2) the idle from inability to work. This second class has two divisions: (1) those unable to work for lack of employment; (2) those unable to work because of physical inability.

The industrial parasite is the one doing something that is unnecessary, something that can be done away with, or that is a mere duplication of what another is doing in the same way when either could do all that is necessary in that business at that place.

This latter class is by far the greatest burden now being carried by the working men and the working women of the world.

Lesson XLIV

Name three fundamental principles in economics.

Is it possible for man to get done all the work that he wants to have done?

Of what is voluntary idleness a sign?

What determines demand?

What determines the bountifulness of production?

What regulates the amount that can be profitably marketed?

What is the relationship between the price of money and the price of commodities?

What is legitimate cost?

What is the only true standard by which to judge fluctuations in price? Illustrate.

By what is the cost of living determined?

Lesson XLV

State the number of hours it takes a man to earn a dollar at different kinds of work.

Why does the market cost of living affect the farmer least of all?

What are the causes for high price of living?

Explain how the first operates.

What has been the record of the world's stock of gold?

What is an "approximate price index?"

What is the difference between "stock" and "coin"?

What can you say as to the changes in the purchasing value of a dollar?

What two causes result in economic waste?

Name the subdivisions of each.

What would you suggest as a remedy?

CHAPTER XXX

Cost of Living, Continued

Among the things that produce both idle and industrious parasites may be mentioned the following:

1. Over-capitalization.
2. Monopoly.
3. Capitalized earnings.
4. Wasteful methods of distribution.
5. Excessive government tax.
6. Excessive Fraternal tax.
7. Individual extravagance (bad habits).
8. Growth of cities at expense of country.
9. Interest burden paid by industry.
10. Credit buying (and piece-meal buying by tele phone).

Each and all of these lead to parasitism, and, taken with this waste of natural resources through ignorance or neglect, completes the agencies contributing to high cost of living, and unnecessary labor.

Over-Capitalization

Capital stock is the amount allowed to be issued or sold to stockholders. It is supposed to cover three kinds of assets: (1) cash; (2) real property; (3) possibilities and good will. Over-capitalization means the capitalization of intangible property. Shares covering this intangible assumption of future wealth do not cost anything and are usually appropriated by the promoters or sold at a great discount to induce people to take stock in the hope of unearned dividends.

Conservative estimates place over-capitalized stock

that has been floated in this country and outstanding today at $30,000,000,000. On this stock, dividends of about $1,500,000,000 each year are being paid, amounting to about $18 a person or nearly $100.00 to each family of the nation. This commercial tax can come from but one or both of two sources: from the producer, in low prices or wages; and from the consumer by high prices. The over-capitalization of an industry means the capitalization of intangible property and "good will" with the payment of unearned dividends. The dividends are earned in the commercial sense, but not in the sense of just recompense being given by the original possessor of the watered stock. If the earnings of the company are capitalized until watered stock has physical value behind it—worth face value, the possessor is in very much the same attitude toward the public that the land speculator is who has "grown" rich by unearned increment, or appreciation of land values.

The impossibility of paying dividends on counterfeit capital and maintaining a company against a competitor not over-capitalized is evident, unless the over-capitalized company has the advantage of position, franchise, commercial or financial monopoly. This directs our attention to the subject of how monopolies are secured and maintained.

In a minority report of the Steel Trust Investigating Committee of Congress, the Committee's investigation revealed that directors of the United States steel corporation, through stock ownership and places on the directorates of the great railway systems of the United States have a controlling voice in nearly 55 per cent. of the railroads of the country, according to a statistical study prepared for the Stanley Steel Investigating Committee of the House.

"By means of interlocking directorates 18 financial institutions in New York, Chicago, and Boston are dominant factors in the management of 134 corporations with an aggregate capital of $25,325,000,000.

"The partners and directors of these 18 institutions hold 385 directorships in 41 banks and trust companies with deposits of $2,834,000,000, and they represent through their own institutions the management of $25,325,000,000. They hold 155 directorships in 31 railroads having a total capitalization of $12,193,000,000; 50 directorships in 11 insurance companies with total assets of $2,646,000,000; 98 directorships in 28 producing and trading companies with a total capitalization of $3,583,000,000, to say nothing of the various public utilities corporations with annual gross earnings of $428,000,000.

"Five of these 18 institutions—J. P. Morgan & Company; the Guaranty Trust Company; the Bankers' Trust Company; the First National Bank; and the National City Bank—through 344 interlocking directors, have tentacled allied corporations with resources of $22,245,000,000."

The practice of capitalizing the earnings of corporations has covered up the tracks of graft in the march of monopolization.

When earnings are invested in more property or in improvements instead of being distributed as dividends it eliminates the water and fills in with substantial wealth the vacuum of over-capitalized stock. When the stockholders get restive for more of the emoluments of prosperous business the company may declare a dividend in the form of additional stock. This allows the earnings to remain in the treasury for capital stock uses. It also pacifies the stockhold-

er, who feels that he has a stronger pull on the company, that will increase his income; but as it does not increase the earning power above what it would be without the issuing of treasury stock in this manner, merely *lowers the rate* of dividends due the stockholders, and helps to appease the wrath of the public who pay the profits, as the financial reports of the company will thus show a lower rate of dividends to the stockholders. Sometimes all this is avoided by "cutting a melon"—paying out undivided profits in a lump sum, not as dividends, but as special apportionment of accumulated surplus. The great majority of corporations and companies do not earn for their owners such enormous dividends as to excite the cupidity or envy of the public. Many go to the wall and others drag along, paying little or no profit to their owners. It is the big corporation with a monopoly that can show such phenomenal business success.

The burden of over-capitalization comes in the form of increased cost of service in the case of railroads; increased cost of articles of necessity and luxuries, in the case of manufactories; increased cost in the price of merchandise in the case of commercial companies, and so on through the list of corporate companies handling the material necessities of life. No one who produces can avoid contributing to this counterfeit capital and live under our modern civilization.

In March, 1913, Congress passed a law authorizing the Inter-State Commerce Commission to make a physical valuation of the railroad, telegraph and telephone companies. Senator La Follette worked for this measure for seven years. The terms of ascertaining this valuation are:

(1) Original cost.
(2) Cost of present duplication.
(3) Other values and elements of value—intangible values.

The wheels of progress move forward and readjustments have to be made regardless of the inconveniencies such readjustments may involve.

Lesson XLVI

Name the causes of economic parasites.

What is capital stock supposed to cover?

What is over-capitalization?

What is its purpose?

What was the estimated amount of over-capitalized stock in the United States in 1913?

How much tribute were the people paying on this capital?

How can an over-capitalized company compete with an under-capitalized company in the same business and with equal opportunities in the trade?

What did the report of the Steel Trust Investigation Committee of Congress reveal with regard to interlocking directorates?

How may watered stock become prime stock with full physical value behind it?

What is "unearned increment?"

When did Congress take steps to ascertain the physical value of railroads, telegraph and telephone companies?

CHAPTER XXXI

Cost of Living, Concluded

Excessive taxes are a fruitful source of expense. Governments are used by self-seeking place hunters as a legitimate prey, as a source of support. These place hunters and hangers-on have influence and do not hesitate to use it. Officials are often forced under conditional duress to support appropriations that they inwardly oppose. They have to succumb to the pressure or be eliminated and relieved of public duty. In no instance is this more flagrantly exemplified than in the extravagance shown in pension appropriations. The "pork barrel" method of cross-lifting to get certain measures through has cost many millions to the taxpayers in both state and national legislation. Approximately one-half of the national expense is for war and the concomitants of war. There is scarcely a department of the government that is not run at a waste of money as compared to what would be expended if the same work were under the direction of a corporation.

The standard of living of individuals and communities is as a rule regulated by the power to consume, which is measured by the amount of money, or its equivalents, that is handled. As more money has been added to circulation, and the consuming power augmented, the standard of living has been raised. An increased demand stimulates the price,

which in turn, other things being equal, stimulates production. The increased demand has been for manufactured products more than for agricultural products. This called for more urban labor, which was drawn from the country, having a tendency to reduce the power to produce agricultural products. The demand for food products is not increased by one leaving the farm and going to the city, but the demand on the ones left on the farm is greater. Such increased demand on the farmer is to his advantage, as it makes for high prices of farm products. The raising of the standard of living on the farm is to the advantage of the city laborer as it creates a market for his products.

Just where the line of extravagance begins and ends will never be settled. From the very nature of human nature it is impossible of settlement. People without taste for music, art or literature would count it inexcusable extravagance to indulge in the purchase of any of the thousand and one things which are bought and enjoyed by people of culture and taste, and are considered by them as necessities. There are a few things which cost large sums of money in the aggregate, generally agreed to be pure extravagant indulgences, and which have been handed down from generation to generation, with here and there an addition of a new one, to add to the useless burdens of the world.

We have other burdens to carry which some would class as necessary and therefore not agree for their listing as extravagances. I refer to our fraternal taxes. Agreeing that fraternal dues and fees go to a good purpose we are beyond question surfeited with fraternities and overloaded with the tax necessary to maintain them. They do duplicating work and fill

similar offices in the structure of society. Our insurance bills, both life and fire, are heavier than they ought to be. They duplicate work and expenses and are therefore far more expensive than good economics would justify, or the people themselves would tolerate, if the same tax were levied arbitrarily and used for the same purpose.

Dr. F. K. Hoffman, of the Prudential Life Insurance Company, says that the 33,000,000 persons gainfully employed as wage earners sustain an annual loss of $366,000,000 in wages because of sickness; and for medical expense $248,000,000, one-third of which is preventable. There are constantly 3,000,000 people seriously ill in the United States.

We sustain an appalling loss in the way of physical sin, costing hundreds of millions annually in cash and untold misery, physical pain, mental anguish and heart-aches as the retributive wages of immoralities.

The Interstate Commerce Commission report for 1910 showed 1000 killed and 14,000 injured by railroads, and 7400 killed and 80,000 injured in industries. From 1890 to 1910 there were 29,000 fatal accidents in mining in the United States.

Recapitulation

We have as agencies for price-raising:
Increased supply of gold.
Increased consumption per capita.
Lessened cereal production per capita.
Trust monopoly and control of prices.
Earnings on over-capitalized corporations.
Tribute to parasitism.

These are capable of many sub-divisions.

There are other sources of expense which are not

new, and therefore cannot be cited as the cause for increased prices, but merely add to the load the race is staggering under with its need for all possible use of its energies for the production of necessities and the higher development of civilization.

To tabulate some of the items of expense which it is our duty to eliminate we give the following conservative estimate:

Dividends on over-capitalization	$1,500,000,000
Unnecessary expense in distribution	1,500,000,000
Excessive interest on money	200,000,000
Excessive price due to credit buying	200,000,000
Total	$3,400,000,000

To extend the list, including items springing from personal habit, we have as heavy sums the following:

Liquors	$1,700,000,000
Tobacco	800,000,000
Coffee	66,000,000
Tea	16,000,000
Prostitution estimated	300,000,000
Total	$2,882,000,000

It matters not whether the cost of living comes high or low, all the above could be lopped off, and wonders in the way of useful expenditures could be performed with the enormous amount of capital now wasted.

We should not lose sight of the fact that, although increased gold supply is the one world-wide cause of cheapening the powers of gold and enhancing the price of commodities, it is also a fact that a very respectable minority of commodities do not show material advances, and some are even lower today than in the very depressing year of 1896. Nor does

the theory that trust-control regulates price prove infallible, when we find that the greatest relative advances have come to products of nature, as distinguished from products presumably more susceptible of artificial price regulation. Increasing price may indicate inadequate production or extravagant consumption. Decreasing price may mean bountiful production or under-consumption. Nevertheless, the only way in which all things can rise in price simultaneously, even though some rise faster than others, is through a relative increase in the supply of that which measures all price—money.

The prices of commodities of international trade are set on the international market basis, with tariff deflections included. We have $35.00 per capita, but when we sell to Japan it is on a $5.41 per capita basis. England has $19.60 per capita, but sells and buys millions annually in India on a 70-cent per capita basis. Argentina has $107.24 per capita, but sells beef to Austria with $12.47 per capita. The cost of distribution and the power to consume determine the trade routes of world-commerce. The commerce of the world in 1913 amounted to $40,600,000,000; transported by 55,802 sailing ships, 47,714 steamers, and by trains operating on 625,000 miles of railways.

Lesson XLVII

Why do we have excessive taxes?

What is "pork barrel" legislation?

For what purpose does a greater portion of national revenue go than for any other purpose?

Why has increased demand been for manufactured articles more than for agricultural products?

What has been the result?

What can you say of the line of extravagance?

Name some taxes we impose on ourselves, which we would not tolerate were they imposed by the government.

What of our number of killed and injured?

Name half a dozen causes for high prices.

Name some business items of expense which we might eliminate.

Name some individual expenses which we might eliminate and be the better off thereby.

What is the *one* agency that rules in general price-making?

CHAPTER XXXII

Theories of Reform

We will consider for a while the theories advanced for the solution of our social problems.

If we as a nation are too indolent or ignorant to do some good hard thinking, we will have to pay the penalty—and a severe one.

Two main attitudes are taken by social thinkers in regard to economic tendencies at the present time. Some think that the basis and structure of society will endure indefinitely, with incident changes and improvements within conservative limits. Prof. Richard T. Ely and Benjamin Kidd voice this doctrine in their standard works.

On the other side are arranged thinkers who look for fundamental changes in the not distant future. This side has different schools of economic doctrine, each of which has gained no little prestige. There is the individualism of Herbert Spencer, the philosophical anarchism of Kropotkin, the single tax of Henry George and the socialism of Karl Marx.

It is but voicing the unthinking popular impression to say that the present order of society will endure for aye. But thinkers all admit that the cooperative tendencies, under the direction of capital, are making for a metamorphosis of the whole economic structure.

The popular conception is that the present is but

the inevitable and natural result of the past, and the future will take care of itself without worrying over it.

Competition under private ownership has had a full test, and we have its fruition all around us. It is highly satisfactory to the lucky few, and taken for granted as a matter of course by the majority, just as was slavery in the years gone by.

It is within the pervue of statesmanship to *direct* the future instead of allowing the laissez faire to rule. It is the pride of thinking manhood to help direct.

The following is from "Science History of the Universe," Vol. 10: "Prof. Ely conceives society as fundamentally competitive and based on private ownership in capital yet as modified by increasing cooperative tendencies. It is interesting to contrast his views with the three modern theories or schools which aim to subvert the very foundations of the present social structure. These are, broadly speaking, anarchism, the single tax, and socialism. 'Anarchism' is derived from two Greek words meaning 'without government'; it wants to get rid of government altogether. There are two schools of anarchism—the individualists and the communists. The first would preserve competition and private property in capital, the second would abolish both.

"The single tax would preserve competition and private property in the instrument of production, but would abolish private property in land.

"Socialism would inaugurate an era of universal cooperation, in which land and the instruments of production would alike be owned and administered by the community collectively.

ANARCHISM

"The popular hatred and misunderstanding of an-

archism are undoubtedly due to the acts of violence and assassination associated with it. But anarchy properly understood is a serious philosophy with a serious mission. It aims to eliminate government in the interest of freedom; it would carry the idea of freedom to its logical ultimate in the economic field. Many modern thinkers of world influence have imbibed the anarchist spirit. Herbert Spencer, at the beginning of his career, taught that 'government is essentially immoral,' and that the individual has 'the right to ignore the state.' In his later writings he modified these extreme conclusions, but the tendency of his argument was always anti-governmental. He makes biology teach the folly of state intervention. He would put a veto on 'all public action which abstracts from some men part of the advantages which they have earned.' In harmony with this attitude, Spencer opposed compulsory education, public libraries, factory legislation, the establishment of state telegraphy and many other similar innovations. The collectivist trend was in a direction exactly opposite to that which he conceived as healthy development. He looked upon socialism as the 'coming slavery.'

"From Spencer's position it is but a short step to anarchism as defined by its advocates. Kropotkin, the ablest living exponent of the communist school of anarchists, asserts that the coming society will be based on common ownership, not only of capital, but also of the materials for consumption. 'People have tried to make a distinction between the capital that serves for the production of goods, and that which satisfies the wants of life, and have said that machines, factories, raw materials, the means of transportation and the land are destined to become the property of the community, while dwellings, finished products, clothing and provisions will remain private

property. This distinction is erroneous and impracticable. The house that shelters us, the coal and gas that we burn, the nutriment that our body burns up, the clothing that covers us, the book from which we draw instructions, are all essential to our existence, and are just as necessary for successful production and for the further development of mankind as are machines, factories, raw materials and other factors of production. With private property in the former goods, there would still remain inequality, oppression, and exploitation.

"The individuals of this free society will be associated in communes. They will take upon themselves duties to their group, which on its part will engage to do certain things for them. The communes will also link and intertwine, but always of their own free will. In short, the world of Kropotkin's ideal would be a federation of communes, based on voluntary agreement, without governmental coercion of any sort.

"There is nothing in anarchism necessarily conflicting with the 'single tax' doctrines propounded by Henry George in 'Progress and Poverty,' and it is worth noting that here again Herbert Spencer, in his earlier days, gave countenance to theories similar to those held by Henry George." (First advocated by Patric Dove. Parenthesis ours.)

Single Tax

"The keynote is struck in 'Progress and Poverty' in the following passage: 'The association of poverty with progress is the great enigma of our times. It is the central fact from which spring industrial, social, and political difficulties that perplex the world, and in which statesmanship, philanthropy and education grapple in vain.' Mr. George goes on to argue:

'The reason why, in spite of the increase of productive power, wages constantly tend to a minimum which will give but a bare living, is that, with increase of productive power rent tends to even greater increase, thus producing a constant tendency to the forcing down of wages.' He states his remedy as follows: 'There is but one way to remove an evil and that is to remove the cause. Poverty deepens as wealth increases, and wages are forced down while productive power grows, because land, which is the source of all wealth and the field of all labor, is monopolized. To extirpate poverty, to make wages what justice demands they should be, the full earnings of the laborer, we must therefore substitute for the individual ownership of land a common ownership. Nothing else will go to the cause of the evil, in nothing else is there the slightest hope. This, then, is the remedy for the unjust and unequal distribution of wealth apparent in modern civilization and for all the evils which flow from it. We must make land common property.'

"The method by which Mr. George proposes to make land common property is the single tax. 'I do not propose,' he says, 'either to purchase or confiscate property in land. The first would be unjust and the second needless. Let the individuals who now own it still retain, if they want to, possession of what they are pleased to call their land. Let them buy and sell and bequest and devise it. It is not necessary to confiscate land, it is only necessary to confiscate rent. We already take rent in taxation. We have only to make some changes in our mode of taxation to take it all. In this way the state may become the universal landlord without calling herself so, and without assuming a single new function.'

"Henry George's revolutionary proposal found supporters all over the world. Tolstoy was one of his converts. While the 'single tax' as George advocated it has not been adopted by any country, its underlying principles have influenced profoundly the policy of nations.

Socialism

"The third system of social theory proposing fundamental changes is socialism, and Karl Marx was its first great exponent. Before his time socialistic doctrines were Utopian and nebulous. He coordinated them into a science. His work, 'Das Kapital,' has become one of the landmarks of economic thought. The two great discoveries of Marx were 'surplus value' and 'economic determinism.' By the first he meant the 'surplus' which the wageworker creates, but for which he receives no return. Most social students acknowledge that the workers have never, in any age, received the full value of their product. Slavery and serfdom were alike based on the spoliation of the worker. Henry George traced his spoliation to the private ownership of land. Marx took the position that since the inauguration of the capitalistic era, capital, in the largest sense, is the instrument of spoliation.

"Marx's second discovery, sometimes called the 'materialist conception of history,' was based on his recognition of the overwhelming influence exerted by economic motives on human progress. No other economist or sociologist has sufficiently recognized this influence.

"Socialistic ideas have found expression through a multitude of other thinkers. There are several

groups of socialists, divided by differences of opinion in regard to theories and methods. But all are united in the belief that the present competitive order of society based on private ownership of capital is about to be superseded in the process of evolution by a co-operative commonwealth, based on public ownership of land and the instruments of production and distribution."

Syndicalism

The word "Syndicalism" is from "syndicat," the French term for a trade union. It is the term of the revolutionary economists, who contend that social revolution must come through the direct action of the labor unions. The Socialists look to the abolition of capitalism by political action; syndicalists seek to bring it about by taking over the industries—the workers in each trade assuming ownership and control of the material of life in the trade.

Syndicalism thrives in Italy, not in the overcrowded cities among clans of the outlaw type, but among the farmers. 200,000 acres have passed into the hands of farm laborers organized into agricultural syndicates. It is also taking hold among the industrial laborers. The Industrial Union of Italian Railwaymen has as its motto: "The Railways for the Railwaymen."

In November, 1910, the first conference of English Syndicalists showed that 60,000 workers were represented. These members have vastly increased since that date.

It was at the Lawrence strike that Syndicalism first appeared in America, because of the fact that some of the strike leaders were imbued with the radical philosophy.

Craft Unionism received great impetus in the eighties under the Knights of Labor, and extended to the development of the American Federation of Labor. Class-conscious vocationalism has been gaining ground under the influence of economic conditions. Finding support among socialist workingmen, the idea of Industrial Unionism was combined with the Socialist conception, and a theory resembling French Syndicalism was the result. In 1905 the International Workers of the World made this theory the basis of their program.

The Syndicalists extend the meaning of labor to include all who do useful work for society; their idea is to transform society into a federation of self-governing producing groups, working together for the benefit of all, with instruments belonging to society as a whole and under the supreme control of the community.

Proposals for the political and industrial reorganization of society are many, and each has its ardent advocates and defenders. Barring such mild modifications as are from time to time proposed by the leading political parties, we have:

Anarchism.—Abolition of government; substitution of individual independence or the voluntary commune.

Communism.—Abolition of private ownership of wealth; substitution of collective ownership of both social and private wealth.

Socialism.—The socializing of all capital used in the production of wealth; the continuation of private ownership of certain private property; democratic form of government, and the extension of its functions to the operating and owning of all industries, the same as it does the post-office.

Syndicalism.—The vocational organization of so-

ciety, and those in each vocation owning all the material of that vocation as common property.

Government ownership of public utilities.—This is the first step toward socialism. We have already socialized the money function, the army and navy, the public schools, public roads, public parks, the post-office, etc., and to extend this principle to all departments of activity would be to socialize society. The arbitrary governmental control of corporations is being tested as a substitute for social assumption of ownership.

Single Tax.—This is a proposal to exempt all personal property and commercial business from taxes and place all taxes on land values, take the rent and allow the individual to retain ownership if he chooses.

Voluntary Cooperation.—This is urged as the only sound economic principle for the operation of the complex activities of modern civilized society. Its advocates claim that it avoids the coercive tyranny of a governmental bureauocracy, the "pull' and graft incident to government operation, the spoiling of the "spirit of the shop" manifested under individual initiative and control, does not assume responsibility for the trifling but leaves him to his own rewards by the process of elimination, and yet withal obtains the advantages of collective activity and the economic savings sought under Socialism.

Lesson XLVIII

What is a school of thought?

What is an economic tendency?

What two main branches of economic thought are in the field of economic thought?

What two schools of anarchy are there?

Define the philosophy of Herbert Spencer.
Define the Anarchy of Kropotkin.
Define single tax as promulgated by Henry George.
What is the ultimate aim of single tax?
Define Socialism.
What is the philosophy of Socialism?
What is the ultimate aim of Socialism?
What is Syndicalism?
What is the difference between Syndicalism and government ownership of public utilities?
What is Communism?
What is Individualism?
What is Republicanism?
What is Democracy?

CHAPTER XXXIII

Home Ownership

Home ownership among farmers is impossible if individuals and corporations are allowed to monopolize all the valuable lands.

Alien ownership should be prohibited.

There should be a system of limitation to land-holding by individuals and corporations.

In Denmark 89 per cent. are home-owners.

In Germany 87 per cent. of the land is tilled by owners.

In Great Britain 87 per cent. is tilled by tenants.

Fifty-four foreign corporations and individuals own an area in the United States exceeding the combined areas of the States of New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New Jersey and Delaware.

The holdings of sixty-three owners, individuals and corporations in the United States exceed the combined areas of the German Empire, Denmark, Belgium, Holland and Switzerland.

The same capitalists that own the great cotton mills of Europe and America are buying the finest cotton lands of the South, and having them worked by negroes and cheap, degraded foreign labor. And these captains of industry are the ones that are making such a stir about the need of immigration in the South. Those who want cheap labor to work in competition

with the self-respecting American white labor are the ones behind the various big conventions that are being held at various points throughout the country to encourage immigration. They already own six million acres.

There has been created, therefore, not only the framework of an enormous timber monopoly, but also an equally sinister land concentration in extensive sections. This involves also a great wealth in minerals. The Southern Pacific has 4,381,000 acres in northern California and western Oregon, and, with the Union Pacific, which controls it, millions of acres elsewhere. (The Government, however, is now suing to annul title to the Southern Pacific lands in Oregon for noncompliance with the terms of the original grants.) The Northern Pacific owns 3,017,000 acres of timber land and millions more of untimbered land. The Weyerhauser Timber Company owns 1,945,000 acres. In Florida, five holders have 4,600,000 acres, and the 187 largest timber-holders have over 15,800,000 acres, nearly one-half the land area of the State. In the whole investigation area the 1,802 largest holders of timber have, together, 88,979,000 acres (not including Northern Pacific and Southern Pacific lands in untimbered regions); which would make an average holding of 49,000 acres, or 77 square miles.

Finally, to timber concentration and to land concentration is added in our most important timber sections, a closely connected railroad domination. The formidable possibilities of this combination in the Pacific-Northwest and elsewhere are of the gravest public importance.

Ancient Italy was a country of small farmers. The "rich men and money lenders," as Plutarch calls them, made loans to the agricultural people at ruin-

ous rates of interest, secured by mortgages on their little farms. In time, these mortgages were closed and the owners ejected. The lands became the property of the great landlords, who cultivated them with white slave labor, the captives sent home by the Roman armies from foreign countries. These captive slaves, being the property of the government, were sold to "the rich men and money lenders," who used them to dispossess the farmers whose sons were fighting the battles of Rome. This condition of things naturally paralyzed the patriotism of the young soldiers, whose parents were driven from their homes, and did more than any other one thing to cut the foundations from under the Roman Republic. In one of the great speeches made by Tiberius Grachchus, to the people, he said: "You are made to believe that you are fighting for your altars and your homes, when, really, you have no altars and no homes." Tiberius was murdered for his boldness by the hirelings of the landlords, and so was Caius, his brother, who followed in his footsteps.

The Latin writer, Pliny, observed 1900 years ago, that large estates had been the ruin of Italy and were then ruining the provinces, and nineteen centuries since Pliny have only added constantly increasing strength to his doctrine.

Two-thirds of the lands of United Kingdom is held by 10,911 owners. One-half is owned by 5,408 proprietors, and the rest is owned by 1,162,722 owners, averaging 17 acres each. Twelve land-owners have 1,068,833 acres out of the total of 72,117,766 acres.

A few decades ago statistics showed that 525 peers owned one-fifth of all the land of the country. The average Duke owned 142,264 acres; the average Marquis 47,500 acres; the average Earl 30,217

acres; and the average Baron, 14,152 acres. Today four-fifths of the land of England is owned by less than ten thousand people, who form a huge land monopoly, with the holdings of the great peers as the centre and the point of resistance.

This monopoly of the land has been an unmitigated curse to England. Year by year the population of the rural districts falls. The young countrymen, with no chance of acquiring land, with no chance of earning a decent living or even of maintaining independence, flock to the cities in shoals. Agriculture is deserted. The crops lessen decade by decade, while more and more the country becomes dependent upon foreign food. There are much less than half as many agricultural laborers in the United Kingdom today as there were sixty years ago. The holdings of the Lords and of their wealthy landlord allies surround the towns and prevent their growth, and individual Peers own dozens of parishes, including every building lot, and every house.

The Marquis of Anglesey is the owner of about 30,000 acres of land; 80 people own one-half of Scotland and 710 people one-fourth of England and Wales. "According to the returns of 1872, 2,250 persons owned half the enclosed land of England and Wales, while nine-tenths of Scotland was owned by 1,700 people and two-thirds of Ireland by 1,942 people." And the situation seems not to have changed materially since that time, except in Ireland. In Great Britain, in 1910, "28,238,445 acres under crops and grass were occupied by tenants and 3,907,485 acres by owners"—over seven-eighths by tenants and less than one-eighth by owners.

The home-owning farmers of the continent are outstripping the English farmer.

England realizes this, and English landlordism is doomed. The only question is as to how it shall be executed—how it shall meet a fate it has long and richly merited. Richard Cobden said a long time ago: "The condition of the English peasantry has no parallel on the face of the earth. There is no other country in the world where you will not find men holding the plow and turning the furrow on their own free-holdings."

Cobden's greatest service to England, of course, was securing the repeal of the taxes on food, but he said before he died, "You who shall liberate the land will do more for your country than we have done in the liberation of its commerce." Other issues, however, have engaged the public attention since Cobden's time, and the great estates have continued the stumbling block in the way of English progress.

Six or seven centuries ago England's population was a mere fraction of its present volume. There was plenty of land for everybody, and acreage possessed no great value. In the Middle Ages money was scarce, and, therefore, endowed with far greater purchasing power than today. It was during these periods that sundry British families acquired vast tracts of land by purchase, as a reward for service rendered their monarchs, or in recognition of military valor.

David Lloyd-George became Chancellor of the Exchequer, and in 1912 began the work of reconstructing the English system of taxation. The effrontery, the ridiculous, cold-blooded audacity of taxing blocks of the highest-priced business shops in London upon their value when the land was a pasture insulted his intelligence.

At last, the rich man must contribute his just share

to the support of the nation. He must value his land at its true worth.

Lloyd-George is England's man of the hour—idol to the people—pest to the idle. He symbolizes the world's new era. The day of the privileged few is past.

The feudalism of the Middle Ages was founded on land monopoly. The modern feudalism of capital is not confined to nor dependent on land monopoly, but it is a powerful auxiliary to it and getting to be more so every day.

We are sitting still and allowing this process of monopolization of land to go right on unmolested, with too little interest to take cognizance of it, much less to try to stop it.

Every State Legislature and each Congress should be besieged by a committee of farmers asking for laws to prevent monopolization.

Past experience has been that it takes a war and a state of desperation to arouse the people to demand the law that will abolish unlimited ownership of the earth. It took the armies of Napoleon to bring Germany to her senses. After the peace of Tilsit in 1807 the great feudal estates were divided into small estates, and parceled out among the peasant farmers on long term loans, at a low rate of interest. It took the horrible reign of terror to break up landlord tyranny in France. There is an apparent exception in the case of Ireland. But it is a case of economic coercion instead of being forced at the point of the bayonet. By parliamentary enactment England has virtually dispossessed the landlords of Ireland and created a fund of $660,000,000, since increased to near $2,000,000,000, by means of which the Irish farmers may purchase on easy terms their own farms.

Four hundred million dollars' worth have thus been

divided and restored to the Irish farmers. This enactment was wrung from Parliament by the desertion of Ireland by her people. Since 1846 Ireland has lost more than half her population. In the last sixty years Great Britain has lost by emigration more of her people than the present population of Scotland and Ireland combined. We are losing 100,000 a year of our people by emigration to Canada. The most of them are sturdy American farmers; and the main incentive is land.

In Ireland absentee landlordism was in vogue so long that it undermined thrift, energy and initiative. It was mainly responsible for the ruinous emigration which drained the country of its best blood. In 1841 the island had a population of 8,000,000, and in 1912 it had only 4,000,000. Since the great famine of 1846-'47, when the potato crop failed, a vast tide of emigration flowed to America and to other parts of the world.

Agricultural and rural life in Ireland has been much improved by the system of land purchase introduced under the Act of Parliament, in 1885, and by supplemental acts, enabling tenants to borrow money on Government credit for the purchase of farms. The installment payments of these loans are spread over 50 or 60 years, on such terms that the annual amount required to cover both interest and sinking fund is less than the rent formerly paid.

Under these acts the Government has already advanced more than $486,650,000, and in the course of another 30 years a large part of the Irish farmers should own their farms free from any charge. In twenty-five years Ireland has changed from a tenant-farmer country to a country of home-owning farmers. The new (1912) statistics show 350,000 holdings bought, to 250,000 tenanted.

Not only was it provided by law some years ago that the tenant might acquire land at a price fixed by the local authorities as correct, and one hundred million pounds advanced or loaned to tenants wishing to buy, but the British Government appropriated $60,000,000 outright to cover the difference between what lands might appear to be worth and what tenants could afford to pay.

There is a provision that the Government may advance the full purchase on condition that they repay 3¼% a year for sixty-eight and one-half years, 2¾ per cent. of this 3¼ being used to cover interest, and the balance as a sinking fund to pay off the investment itself. At the end of the sixty-eight years they or their heirs will own the land outright, without paying more perhaps than they would otherwise have had to pay for rent alone.

These things have been done for the homeless in a monarchial country. I wonder if any one will claim that we need no check on landlordism in this country? Or, are we ready to accept a condition of tenantry and peasantry in this country as inevitable?

In 1900, 35.3 per cent. of the farms of the United States were tenant farms.

In 1910 the percentage had risen to 37.1 per cent.

Take Tennessee, Kentucky, Alabama, Mississippi, Louisiana, Arkansas, Texas, and Oklahoma in a group and look what we find:

In 30 years tenant farms have increased from 36.2 to 57.7 per cent.

And the percentage runs highest in white sections, such as the eastern parts of Oklahoma and the black lands of Texas. In Arkansas there were, in 1880, the goodly number of 29,188 tenant farms, but in 1910 there were 107,226 tenant farms—just half

the total number. During the same period the number of tenant farms in Louisiana increased from 35.2 to 55.3 per cent. During the same period tenant farms increased in Texas from 37.6 per cent. on 5,-468, to 53 per cent. on 219,575 farms. From 1900 to 1910 Texas added to her population 44,115 tenants and 20,354 farm-owners. During the same decade Oklahoma tenants increased from 47,250 (or 43.8 per cent.) to 104,137 (or 54.8 per cent.).

How can market conditions be improved without concert of action? How can concert of action be secured with a shifting tenantry? We need a revolution in our rural credits, and in our system of land taxation. Suppose you swap places with landlord and tenant, what would result? The renter would be doing just what the landlord is doing, and the landlord just what the renter is doing. Neither is any better or worse than the other by nature. A certain percentage of the renters may be less enterprising or thrifty than the average landowner, but this does not change the problem. Land is high; measured by the purchasing power of wages on the farm, it is out of reach.

Bonanza farming is coming more and more into use. The advantages gained by the operation of a large farm under skilled management and ample capital are apparent. Better machinery, better stock, labor secured on the lowest market, bulk purchase and bulk sale, and expert knowledge in directing, make the bonanza farm a winner as compared with the small farm, poorly equipped and operated. Swamps are drained by corporations and thousands of acres brought under cultivation which otherwise could not be utilized. Corporations carry out irrigation projects which could not otherwise be handled.

Conveniences are provided on the bonanza farm that the average farm cannot afford.

On the other hand the fact that labor is secured on the market of the lowest bidder results in segregating those types least fitted for a progressive, enlightened citizenship. Society drifts back on the feudalistic basis, and the ideal home, which is the anchor of the Republic and the hope of the world, becomes a rare exception and not the rule.

Possibly the greatest events in the world's history are immigrations in search of land and opportunities. The emigration of the Jews from Egypt was in search of land. The emigration from Asia to Greece and Rome was in search of land. The emigration during the Dark Ages—1000 years when the world slept—was from Northern Europe to Britain, and was perhaps the most important event of those ages; and the emigration of the northwestern Europeans to the Americas, Australia, and South Africa was of course the most important event within the meaning of modern history, and it seems we have about settled up all the lands of the world, and civilization has got to make a stand where it is.

Every condition is a prophecy of something that is to follow. It can not be otherwise, and it is within the purview of statesmanship to interpret the effect of conditions.

Coming direct to the civic and moral effects of indiscriminate immigration and mixing of races, I wish to say that we have learned that the buying of labor in the cheapest market is a poor device for which civilization pays in the maintenance of underbred, under-nourished, and under-educated children, and the expense of combating crime and diseases that these cheap human products ignorantly spread

throughout society is the poorest investment possible.

Prof. John R. Commons, of the University of Wisconsin, and with the United States Industrial Commission during its recent extensive investigations, says, in his book, "Races of Immigrants":

"It is in the large foreign cities of the North that popular government, as your Teutonic forefathers conceived it, has been displaced by the despotic boss, and a profound distrust of democracy has taken hold of the educated and property-holding classes who fashion public opinion."

In the language of Hugh Chalmers:

"A great many people seem to think that population is everything in a city. I venture to say that there is not a city in the United States but what would be better off without ten per cent. of its population. Numbers do not make quality."

During 12 years there came to the United States enough Italians to people five cities like Rome; enough Greeks to people two cities like Athens; more Poles than there are in Warsaw; more Scandinavians than there are in Stockholm; more Magyars than in Kronstadt, and more Finns than in Viborg.

Italy's contribution to American immigration, of nearly two and a quarter million souls, stands out as a marked feature of immigration history. Nearly nine-tenths of these came from southern Italy. The people of northern and southern Italy speak such varying dialects that they scarcely can converse with one another. In some parts of southern Italy more than three-fourths of the people are illiterates. Rosco, the Italian statistician, admits that Italy leads all the nations in the number of crimes against the person. Niceforo, the Italian sociologist, declares that the inhabitants of northern Italy possess all the qualifi-

cations for good citizenship, but that the south Italian is an individualist, having little adaptability to highly organized society.

A condition once existed in Rome which was a prophecy of her decline and fall—and the wreck of civilization, followed by a thousand years which historians now designate as the "Dark Ages."

The conquering armies of Rome paved the way for slaves to be sent back to Rome to till the lands, which led to the eviction of the farmer classes. This drove the independent farmer to vassalage, from vassalage to vagrancy, from vagrancy to beggarism, and from beggarism to desperation. When he was crushed the monied oligarchy stood absolutely supreme. The shrewd Roman capitalists viewed his interests just as those modern captains of industry who think of nothing but gain view the labor problem today. It was plain to the Roman employer that the labor of eastern slaves made bigger profits to him than that of his original vassals. And on that basis extensive traffic in Asiatic slaves began. Still the slight cost of these throngs of misery did not appease his greed entirely. Paid militia were sent to invade Macedonia and the East, bringing back, besides the material treasures of conquest, hordes of these victims. And with this wide adoption of Asiatic slaves, competition at Rome reached a point of dangerous enormity. No Roman economist would employ a fellow-countryman when his labor could not maintain a parity of profit with that of his numerous and newly-acquired slaves. Since employment could not be obtained, hundreds were driven to crime—the record of the idle poor of all countries. The arenas of the amphitheaters were filled with crowds of desperate gladiators, and the rabble was constantly

swelled by it at the capital city—and were used by the demagogues to further their interests.

A condition once existed in France that was a prophecy of the reign of terror, when France murdered her own citizens and disturbed the peace of the world, but its statesmen did not see it. The inexorable law of cause and effect will have its way. We do not escape its penalties by ignoring it, either as individuals or as nations. France paid the debt to the last, full measure. Baptized in fire and blood, she arose, after many a struggle and groan, a republic. This would have been impossible had her citizenship been mongrelized as had been the citizenship of Rome.

A condition once existed in England that was a prophecy of Cromwell marching into Parliament followed by his soldiers and thundering to that august body: "There is not a crime in the calendar of which you are not guilty—get out!" and Parliament was dissolved.

Later on the laws passed by Parliament, at the request of the English manufacturers and merchants, were a prophecy of Cornwallis handing his sword to Washington at Yorktown, but they did not see it. England thus threw away a pearl richer than all her tribe because of the short-sighted statesmanship of her lawmakers.

It was put in our national Constitution that the slave trade should not be abolished before 1808. As a result every slaveship that was fanned across the Atlantic Ocean was a prophecy of Sherman's march to the sea, four years of civil strife, millions of wealth destroyed, and thousands of as brave soldiers as ever answered the call to arms were sacrificed; but the people of that day did not realize it and the penalty has been paid.

In the question under consideration we are faced with a problem calling for the best statesmanship of the age. Shall we not learn a lesson from the past, and refuse to be guided by the same selfish interest that led these other nations to such calamities? If this enormous undesirable immigration continues, and if it is really as undesirable as the Immigration Commission states in its exhaustive report, and as the Commissioner General says in his annual reports, it is a prophecy of something that will follow that is appalling to contemplate.

There is such a thing as a people being unable to maintain the civilization which is given them, or which they inherit. The American Indian was unable to sustain the civilization that the white man presented him. We all know the result. The negro was transplanted from Africa here into the bosom of civilization, and he, left alone, would not carry forward the white man's burden. The Hindoo has not taken up with alacrity the civilization brought him by his British rulers. The Chinese are only beginning to imitate European civilization. It is unfortunate that these things are true. Perhaps we feel that we are encroaching upon a sentiment in denying the immigration of any people who desire to come here, because our ancestors came here from somewhere, but when either sentiment or greed are allowed to control our policies on this subject civilization will pay the penalty and we will be responsible.

The greatest work of civilization is to render it possible to develop the highest type of men and women, and reach the highest possible standard of civilization. This cannot be done by intermixing the better elements of the race with the lower types, or the best specimen with the lower specimen of any race. Neither can it be done when the higher types have

to carry the burden of the lower types. Nor can it be done by the higher types or specimens leaning on the lower for support. This is akin to leaning on nature for support in the profligate tropics—it enervates and weakens initiative. Approximate segregation is the only hope for the noblest development of the superior race.

Lesson XLIX

How does the percentage of home-owners stand in Denmark, Germany, Great Britain?

What can you say of the tendency to land monopoly in this country?

How about the timber monopoly?

What does Plutarch say about ancient Italy?

What was the language of Tiberius Gracchus on this subject?

What does Pliny say concerning conditions?

What can you say of land monopoly in Great Britain?

What did Richard Cobden say on this point?

What has been the effect on English progress?

What can you say of the work of David Lloyd-George?

What is being done for Ireland's landless?

What broke feudal landlordism in Germany?

What broke feudal landlordism in France?

Lesson L

What of the tendency toward tenancy in the United States?

Were you to swap places with the landlord and the tenants, what would result?

What can you say of bonanza farming?

State its advantages and disadvantages.

What have been the greatest events in the world's history?

How are future events mirrored in the present?

What of the industrial, moral, and social effects of indiscriminate immigration of all races and nationalities?

What are the views of Prof. John R. Commons?

Of Hugh Chalmers?

What of the class of immigrants pouring into the country now?

What conditions were prophetic of Rome's fall?

Of France's Reign of Terror?

Of England's revolution under Cromwell?

Of England's American Revolution?

Of our Civil War?

What do our conditions portend?

CHAPTER XXXIV

The Farmer and the Soil

How can the highest development of the best types of races be secured?

Farmers, huntsmen and fishermen have fed the human race, and a great part of the animals, since the morning creation, and will continue to do so till the crack of doom.

Man's existence on the earth depends on his ability to make the soil yield him a subsistence.

Civilization is dependent on man's ability to wring from nature more than a subsistence.

Man cannot rise above the crudities of barbarism without a surplus production.

In no department of human endeavor has the struggle been longer, harder and slower of accomplishment than in the mastery of the soil.

The relationship of fertility, season, climate and cultivation determines the production. Scientific agriculture is of recent date. Millions of farmers do not yet practice it.

The continents of the earth are solemn reminders of man's improvidence with the soil. Countries once fertile, populous and prosperous are long since barren, and give meager support to a sparse population.

Egypt once had three times the population she now has; Thebes, Luxor, Memphis, Alexandria and Cairo were great cities in the Valley of the Nile; only Cairo

is left, and it is not nearly what it might be. But for the periodic floods of the Nile, Egypt would have been barren long ago. Goshen is not what it was when Israel dwelt there.

Western Asia used to support its teeming millions, and had flourishing cities, both inland and on the shores of the seas. In the valleys of the Euphrates and Tigris rivers flourished Babylon and Ninevah, queen cities of the East. But even the roving Bedouin will not pitch his tent on the ruins of Babylon, and Ninevah is no more. Jerusalem, the city of Israel's glory, Cæsarea, Sidon, Tyre, Damascus, Ephesus, and other cities of the Levant, drew their support from this region, which has deteriorated as though there were a curse upon the country. Destruction of the forest and bad farming has done its work and its power to produce is irretrievably lost.

Greece, Italy, Northern Africa, India, and China have the same story of ruthless destruction of forests and lack of conservation of the soil resulting in barrenness, gullies, waste lands, quick drainage and flooded river valleys, drowning thousands and working havoc to millions of acres of farm lands. Greece has no rivers to overflow, but her mountains and hills are bare, and Greece is but a skeleton of her former self. Italy furnishes a terrible example of how a country can deteriorate both in soil and citizenship as under a blight, a ghastly relic of her former richness and intellectual greatness. The land of Carthage, that disputed so long the mastery of the world with Rome, has little to remind us of its former opulence and wonderful resources. Thousands of lives have been lost in the floods of China because of the quick drainage of her lands, caused by denuding the country of all its timber and the crude agriculture

that fails to sink the water where it falls. In India more people starve every year than in all the rest of the world together. Though both India and China support teeming populations it is on so low a standard of living that it is impossible for the people to ever rise to a high standard of civilization.

Wasteful methods of agriculture were halted in France, Germany, the Netherlands, Denmark and in Britain. In the United States the most wasteful methods were followed for a hundred years, with frightful results. A virgin forest was destroyed as if it were an enemy to the race. Go from Maine to Mississippi, along the Atlantic slope, and you will see millions and millions of acres that attest the recklessness with which the American farmer has treated the soil. Other regions show the same.

Quick drainage in the Mississippi Valley results in floods and much destruction during the spring rains.

But a halt has been called, and scientific agriculture is doing wonders in the way of production and conservation. A farm hand in some States produces several times as much as he does in other States. This is due to several causes: fertility of the soil, number of acres that can be cultivated, and character of crops raised.

Year after year the percentage of the population that are farmers is less and less. While this places a greater responsibility on the field laborer, to feed the millions in other vocations, it at the same time gives the farmer additional power over the human family. There is no difference in the inborn selfishness of people following different callings. The farmer is selfish enough to make use of this new power if he only realized that he had it. Mutual bickerings and jealousies and strife keep the rural population from ruling the earth.

Twelve and a half million field hands make it possible to feed and clothe ninety million people at home and millions beyond the seas. With the very key to the life and death of the rest of the world there is nothing to hinder these workers of the soil from being absolute masters of the world! The only reason they are not is because they are not agreed among themselves.

At the beginning of this government nine-tenths of the people lived on farms. Today a strike on the part of one-tenth of the population (who work in the fields) during the four months in the Spring would produce a famine that would starve millions of people and send prices skyward.

The actual farming class constitutes about three-tenths of the population, and it owns about one-fifth of the aggregate wealth. But only a part of them own this percentage, as millions of them have practically nothing. Half of them have no homes, but hire, rent, or crop from year to year.

Where will it all end?

Let him be industrious or indolent, thrifty or thriftless, honest or dishonest, progressive or unprogressive, intelligent or ignorant, the farmer is the dependence of the human race for its existence.

Whether the soil be fertile or poor, whether it be hills and mountains or plains and valleys, whether timber lands or prairies, whether covered with the snows of winter or forever wrapt in the sunshine of the tropics, it is the source of wealth and man's dependence for greater possibilities in the future.

To ignore the farmer and his welfare is an economic crime sure of punishment. To neglect the soil is to throw away the richest heritage of the race.

Agricultural colleges are doing great work, but they reach only a small percentage of the farmers.

It is like publishing text books and educating teachers, and then not bringing them and the students together.

Demonstration work is the next step in the direction of preparing the farmer for his task of mastering the elements of nature, and bringing to the aid of industry the accumulated experience of years of investigation and experiments. The whole of society is vitally concerned, and niggardliness here is shortsightedness, which will react on all. Progress cannot be sustained in business or public economics without prosperity on the farm, and it behooves the state to take greater interest in this department for the ultimate welfare of all classes.

The Most Important Product of the Farm

The farmer's business is called agriculture, which means land culture. But by an extension of the use of the word it has grown to include stock culture, horticulture, and the general culture of things produced on the farm. It is worth while to improve corn, cotton, potatoes, cabbages, oats, wheat, grass, cows, sheep, horses, swine, etc. It is worth while to get the best labor-saving and work-doing machinery; it is worth while to adopt the best methods of dairying, of sowing, reaping and doing the general work of the farm; it is worth while to know as much as possible about scientific agriculture, and to acquire skill in the art of applying scientific principles to farming; it is worth while to improve the soil and render it easy to produce a superabundance of all that man needs to grow from the earth.

But there is something far more worth while than all the above combined—the production and culture of Young America—the boys and girls of the farm.

The farmer ought to take more pride in himself than in his stock. He ought to see to it that he and

his wife and his children improve faster than his farm or his domestic animals. While he enriches his land he should enrich his mind.

The best products are in the house and they should receive the most care, time, and labor. The farm and its equipments are for the benefit of the dwellers in the house and not an end themselves. They are merely helps for the family, a means to and end always, and not an end to be sought, just for its own sake.

If the family become slaves to the farm and its stock, the slavery is unprofitable and the drama a pathetic one. Many a farmer mortgages himself to his farm and works for it through life with no view of his own improvement. His only dream is to improve the farm and get as much profit out of it as possible. Many a farmer's family are drudges to make the farm profitable without any view to making it merely a physical basis for intellectual development, by producing enough to enable the family to have leisure time in which to improve the mind and become intelligent citizens.

The finest fields are those of the household, and yet they are often the ones most neglected. The world needs more rich farmer minds. Of all the things that the farmer cultivates, *he* needs cultivation most, and is the most susceptible of improvement. The great men of the world made themselves so by dreaming while at work, and in spare time putting the dream into effect. It has always been so, and must necessarily be so for all time to come.

The food question is a great one. It is great because it is a means to an end, and the end is the sustenance of the human race, primarily, and its proper use is a great factor in preserving the health of the world's inhabitants. Man is first an eater,

and the first requirement he must supply by his own exertion is food. Life is dependent upon it, and health upon its proper use. The best medicine is right eating. Health is force—the friend of energy, happiness, thrift and work. It is estimated that three million years of life are wasted every year in the United States through serious illness, most of which is preventable; that the average expenditure for each family for illness and death is $27.00 per annum.

It is the office of the human stomach and brain to transmute food into thoughts, energy, character. However earthly all this may sound, and however much it may grate on our feelings to realize, the fact stands.

But this transmutation is brought about not by stomach food alone. The brain must be fed the same as the stomach. Feeding the brain is as necessary to the mind as feeding the stomach is to the body. The body is of no importance except to be used by the mind. It is a difficult task to educate a family of children in letters on the farm while all the care and work of the farm are on the members. To help out this difficulty, schools are established where all the children of the neighborhood are taught by those especially qualified for the task.

The children of the farmer's home, who go out from his household to supply the villages and cities with a healthy, brainy, hearty population, are infinitely more important than all other products. How many fine boys and girls go from the farms into the schools and colleges to become teachers, professional men and women, clerks, nurses, telegraphers, artists, journalists, authors, engineers, merchants, bankers, railroad men and government employees! The farm has furnished:

Ninety-two per cent. of our presidents.
Ninety-one per cent. of our governors.
Eighty-three per cent. of our cabinet officers.
Seventy per cent. of our senators.
Sixty-four per cent. of our congressmen.
Fifty-five per cent. of our railroad presidents.

Men and women are the chief products of the world; all things else are of little importance, except as a means of race production and improvement.

To raise a lot of children who have no ambition, aspiration or purpose; no taste, no culture, no refinement; no energy, capacity, or talent, is to be unfortunate. A family of bright children is the greatest possible legacy to leave in the world.

A farm home should be as attractive as a city home. It will have to be if the boy or girl that is really worth while is to be expected to remain on the farm. A farm home without a library is a burlesque on civilization. A neglected mind is a greater misfortune than a neglected farm.

I'd rather add convolutions to the brain of a student than to reclaim a sea of gullies. I'd rather inspire a noble purpose in one young man or woman with the quality of perseverance that leads to accomplishment than to accumulate a million and die with the scorn of the world as my recompense. I'd rather see a generation of people untrammeled and uncontaminated with the sins of their parents than to see every acre of the earth as rich as the valley of the Nile!

He who grows a new idea destined to take a tear from the cheek of unpaid toil or strike a crime from the calendar of law is worth more to the world than he who makes a thousand grains grow where one grew or who accumulates untold millions.

He who forges a new thought at the furnace of

intellect, that goes ringing through the ages to broaden the minds of coming generations, performs a greater service for mankind than he who lays his hand on the finances of a nation and dictates panics to a hemisphere.

To save one great life from being the victim of some physical or moral blight is a sublimer service to render the race than to make a desert blossom as the rose.

The only time I feel worthy of the proud title of *man* is when I am willing to work for the happiness of others, who may never know that I ever lived.

Lesson LI

Upon what does man's existence on earth depend?

What is surplus production?

What determines production?

What evidence of improvident farming in Asia? In Africa? In Greece? In Rome? In China? In India? In the United States?

Where has improvident farming been halted?

Whence the source of man's support in all ages?

What can you say of the work of Agricultural Colleges and the demonstration work?

Can permanent prosperity exist without prosperity on the farm?

Lesson LII

What is the most important product of the farm?

Which should be of the most concern on the farm?

Where should the best product of the farm be found?

Is there such a thing as a farmer being a slave to his farm?

How should a farm be considered?

Where are the fields of most importance?

How have men become great?

How much is estimated as lost annually in the United States through illness?

How are thoughts, energy, character, supported and developed?

Of what use is the body?

Why were schools founded?

Give the percentages of places of high positions which have been filled by farmers.

What can you say of a farm home without a library?

What can you say of a farm home with a neglected mind?

Who is the greatest benefactor of the human race?

When is one really worthy of the proud title of *Man?*

APPENDIX

GENERAL FORM FOR COOPERATIVE MARKETING ASSOCIATION

SECTION 1—NAME

This association shall be known as the (..... County Fruit Association) incorporated under the laws of the State of ..... Its place of business shall be in the (City of .....)*

NOTE.—The name should indicate the territory covered and the class of products handled. Thus, "The Maine Potato Shippers' Exchange," "The Richmond Egg Circle," etc. Practically every association should be incorporated under the laws of the State where it is located.

SECTION 2—OBJECTS

The objects of this association shall be to encourage better and more economical methods of production and distribution; to secure better results in grading, packing, marketing, standardizing, and advertising our products; to buy supplies in a cooperative way; to rent, buy, build, own, sell and control such buildings and other real and personal property as may be

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*All matter appearing in parenthesis is simply suggestive, and is to be altered to suit the best interests of each individual association.

needed in the business; to cultivate the cooperative spirit in the community and to perform any other work which may tend to the betterment of the members and the uplift of the neighborhood.

NOTE.—Make the objects as definite as possible, but it is also well to include a "blanket," which will cover any future efforts of the association.

Section 3—Membership

All eligible and accepted members shall sign these rules, and contribute their share of capital stock or other regular investment prescribed.

NOTE.—There may be conditions where it would be wise to limit membership to those who have been recommended by the Directors or who have received a two-thirds vote of the members present at any meeting. It is doubtful if "chronic kickers" should ever be admitted. The admission of merchants, bankers, etc., is almost invariably bad policy, not because they are not good men but their membership is incongruous in these associations.

Section 4—Meetings

1. The annual meeting of the association shall be held on the ..... in each year. Notice of such meeting shall be given each member in writing by the Secretary, and by publication in the local paper if convenient less than (one week) previous to the date of meeting.

NOTE.—The annual meeting should be held as soon after the close of the year's main business, as will allow for the settlement of all accounts, auditing the books and the preparation of the annual reports of the officers.

2. Special meetings may be called at any time by the President. He shall call such meetings whenever .....members shall in writing so request. A notice of such special meeting shall be sent to each member at least (five) 5 days before the date of said meeting, which notice shall give the nature of the business to be transacted. A similar notice shall be given for all adjourned meetings.

Section 5—Quorum

(One-fifth) the members in good standing shall constitute a quorum for the transaction of business at any meeting.

Section 6—Officers

1. At each meeting a Board of ..... Directors shall be elected. A President, Vice-President, and Secretary-Treasurer shall be chosen by the Directors from among themselves at the first Board meeting after the annual meeting. They shall also choose two auditors from the members if available. All officers shall be elected by ballot and shall perform the usual work of such officers. (Four) Directors shall constitute a quorum at any Board meeting.

2. The Board shall employ a Business Manager, who shall have charge of the business of the Association, under the direction of the Board, who shall fix his compensation.

NOTE.—In a large organization it would be well to unite the Office Manager, Secretary and Treasurer in one person, as frequent audits and counter signature of checks, vouchers, etc., would serve as a sufficient check. The combining of these in one individual centers all the office work and tends to greater efficiency.

3. All officers, who may handle any of the funds or other property of the Association, shall give a surety bond in excess of the funds which they are liable to handle at any one time. The cost of such bonds shall be paid for by the Association.

Section 7—Capital Stock

1. The capital stock of this association shall be ..... divided into ..... shares

of ..... each. No member shall hold more than (ten) per cent. of the outstanding stock of the association.

2. Transfers of shares shall only be made upon the books of the association when the stockholder is clear from all indebtedness to the association.

3. A stockholder, desiring to dispose of his shares, must first offer them to the association, through the Board of Directors, at market value.

NOTE.—This provision, if desired, must be provided for in the articles of incorporation, to make it legal. To allow outsiders to purchase association stock might transfer the control of the organization to those who are opposed to its continuance.

NOTE ON CAPITAL STOCK.—In case the business of an association is such as to only require a small amount of money and that only for a short time during each year, it may not be necessary to have any capital stock. Annual dues may be collected. The following plan has in such cases worked well, where the local banks are prepared and willing to make such loans. Where this plan is adopted the following will take the place of the preceding section:

Section 7—Financing

1. At the time of uniting with the association and at the end of each three years after the incorporation of the association, each member shall give a promissory note, payable on demand to the association. This note shall be for the sum of ($25.00) and an additional ($1.00) for each and every acre of crops, to be marketed through the association, then owned by the member. But in no case shall this note be for a less sum than ($35.00). When a new note is given, the old one shall be cancelled and returned to the maker.

2. These notes shall be the property of the association and shall be used by the Directors as col-

lateral security with which to borrow needed money for the association's business. Whenever these notes are deposited as security for a loan, all of the members shall individually share the liability in proportion to the face value of their respective notes.

3. Each member shall pay an annual membership fee of $2.00 payable January 1.

4. The capital and credit thus obtained shall be used as directed by the stockholders in regular or called session.

Section 8—Grading and Inspecting

1. All goods produced for sale by the members shall be delivered to the association as directed by the Manager, in prime condition for grading, packing and shipping. All grading and packing done on the grower's premises must be in accordanee with the rules of the association and subject to such inspection as may be established by the Directors.

2. All produce for shipment shall be inspected before shipment, and if any produce is not of good quality and in good condition for shipping, such produce shall be sorted or otherwise prepared for shipment, at the expense of the party to whom such produce belongs.

3. All brands, labels, trade marks, etc., shall be registered and become the property of the association and they shall be only attached to such grades as shall be ordered by the Board of Directors.

Section 9—Duties and Rights of Members

1. A member shall have the right to give away or retain for his own use such of his farm products

as he may wish, but he shall not make sale of crops, promised to the association, to any outside parties, except any product not accepted by the association.

2. In case any member is offered a price in excess of the price then obtainable by the association, said member shall turn said bid over to the association for filling from said member's goods.

NOTE.—Some such provision is necessary, to prevent an outside disgruntled dealer from making a false bid, to test a member's loyalty and arouse dissension, with the idea of disrupting the organization. Allowing the organization to handle this bid compels the mischiefmaker to "put up or shut up"; the grower gets the boosted price, if the bidder does not back down, and the organization handles the deal and so is strengthened rather than injured. One or two such experiences has usually discouraged this very common form of outside interference.

3. Each member shall have a number or mark, which shall be permanently stamped on every sack, box, barrel, crate, basket, or other package shipped by him through the association. Any loss occasioned by improper packing or grading shall be charged to the member whose mark is found on said package.

NOTE.—Products packed on the grower's premises should be inspected as they are being packed, by an association inspector. He may be employed and paid by the grower to assist in packing, but he must be held accountable alone to the association for his inspection work. His own private mark should be placed upon each package he packed or inspected and he should be held jointly responsible with the grower for the pack, as it may be disclosed in the final market, ordinary deterioration excepted.

4. Each member of the association shall have one vote and only one; providing all claims and dues against said member have been fully paid. No proxies shall be allowed.

NOTE.—In a stock company which is organized to earn profits on the money invested in the business, a member votes in proportion to the number of shares he holds. But the true cooperative association is based on the individual

member, a number of whom unite to do something in which they have a common interest. In the former money rules; in the latter, men. While there may be cases where the voting power of the members may be made in proportion to the acreage of their products it will generally be found that any attempt to vary the voting power of members will be unwise. The practice of allowing a member to collect the proxies of absent members and vote the same, possibly giving a single member the control of power, is too dangerous a practice to be allowed.

In some of the largest non-profit cooperative associations, like the California citrus fruit growers, it has been felt that it was neither fair nor wise to demand that the large producing members should be held to the same vote as a small producing member, when their responsibility and liability are so unequal. In such a case the voting power of members can be made proportional to the amount of their products or acreage handled through the association.

5. Any member may withdraw from the association at any time between (the first day of December and the first day of the following April) but all claims of whatsoever nature must first be settled.

NOTE.—The time of withdrawal should be fixed so as to take effect after the close of a season's business and before another season begins. To permit a member to withdraw during a busy marketing season will result in confusion and may seriously handicap the manager in filling his contracts.

6. Any member, feeling that he has a grievance or cause for complaint, may appeal to the Board of Directors, or to the members at any regularly called meeting. No member shall be temporarily suspended or expelled from the benefits of the association, without first being heard in his own defense, either by the Board of Directors or by the members at a regularly called meeting.

Section 10—Duties and Powers of the Manager

The manager shall employ and discharge all labor;

he shall secure information as to crop and market conditions and furnish same to the members on request. He shall encourage the production of the best varieties of products demanded by the trade. He shall conduct packing schools, in order that growers may become trained in the best methods of grading, packing and labeling their products. He shall enter into contracts for the sale of the association goods. He shall have entire charge of the marketing of all association goods, subject only to the action of the Board of Directors and the by-laws and rules of the association.

NOTE.—The manager is the most important officer and his powers must be limited as little as possible. He cannot be held responsible, if he is to be dictated to at will by each member or the officers are to constantly meddle with his work. This does not imply that the manager should be a dictator. He takes the suggestions of the officers and members and from those of his own experiences, he constructs a business plan. Whenever a manager loses the confidence of the members, he had best be replaced with a manager who possesses that confidence.

Section 11—Expenses and Payments

1. The expenses of operating this association shall be met by a percentage on returns for produce sold by the association or by a fixed price per package, the amount of such charge to be fixed by the Directors.

He shall have charge of the grading, packing and inspection of all association products and shall have control of the brands and labels and their use on the association packages in accordane with the rules of the association.

2. All merchandise purchased by the association for the use of its members shall be paid for in cash by each member on delivery.

NOTE.—Any system of extending credit requires large capital and often results in considerable loss.

3. Payment for produce will be made to the shippers on the receipt by the association of returns for the sale of their produce, unless otherwise ordered by the full Board of Directors. In making sales all produce of the same grade shall be pooled and all shippers of the same grade shall receive exactly the same price.

Section 12—Dividends and Damages

After the season's expenses are paid and the proper sum set aside as a reserve for the depreciation of the association property, the balance of the season's profits shall be divided as follows:

1. The stockholders shall receive (six) per cent. per annum on the par value of their stock.

2. One-half the balance shall be set aside as a surplus fund, to increase the working capital or to finance future improvements until the surplus shall amount to a sum equal to the capital stock; by majority vote of the members it may be made greater.

3. The balance shall be divided among the members, in proportion to the value of their shipments and purchases made through the association during that season.

Provided, that when any member has failed during that season to live up to his agreements, by failing to ship exclusively through the association, or by any other breach of his contract, and provided further that said failure on his part has resulted in a loss or damage to the association, then said defaulting member shall forfeit to the association such a share of his dividends then due as shall reimburse said

association for the loss or damages thus sustained, in lieu of liquidated damages. Or the association may proceed to collect from said defaulting member said damages out of any other of his funds or property.

NOTE.—Some courts have held that to require a member to pay his association a fee for the privilege of selling contracted products to an outside dealer is in restraint of trade, therefore, illegal. While it may not be legal for an association to penalize its members, it may be found that an association can legally provide, as in this last by-law, to collect damages from a defaulting member, when losses or damages have actually resulted from the failure of the member to live up to his agreements. Some form of binding contract is essential to hold the members of an association together. Many an organization has failed because members were only bound by a gentleman's agreement. A voluntary membership is totally inadequate for a stable and long enduring organization. The laws of the state should be studied, so that this by-law for holding the members may be legally drawn.

Section 13—Auditing

The books and business of the association shall be audited monthly by the auditors selected from the membership. An annual audit shall be made by a certified public accountant previous to the date of the annual meeting, at which meeting said report shall be presented in full. Special audits shall be made upon order of the Board or upon a vote of the members at any legally called meeting.

NOTE.—While small associations may not feel the need of such a strict system of investigating the accounts, it will pay to have this work done often and most thoroughly. If the association business is being done carelessly, frequent audits will make it known and better methods may be adopted before any great loss occurs. The cost of an expert accountant is more than balanced by the confidence which it gives the members and effectually stopping the criticism of fault finders.

Section 14—Amendments

These laws may be amended at any meeting by a two-thirds vote of the members present in the affirmative. Notice of such proposed change must be included in the call for said meeting.

Take note of the following and raise cattle—and sell them cooperatively.

We now consume ninety-one per cent. of our wheat and ninety-eight per cent. of our corn.
U. S. wheat acreage, 49 million ac. yield 14 bu. per ac.
U. S. corn acreage, 114 million ac. yield 26 bu. per ac.
U. S. oats acreage, 35 million ac. yield 32 bu. per ac.
U. S. produces 20 per cent. of the world's wheat.
U. S. produces 75 per cent. of the world's corn.
U. S. produces 24 per cent. of the world's oats.
U. S. produces 55 per cent. of the world's cotton.
In 1906 U. S. cattle exported, 525,000 head.
In 1912 U. S. cattle exported, 105,000 head.
Decline, 75 per cent. in six years.
In 1906, U. S. cattle imported, 16,000 head.
In 1912, U. S. cattle imported, 318,000 head.
Increase, 2,000 per cent. in six years.
In 1907, number of beef cattle, 51,566,000.
In 1913, number of beef cattle, 36,030,000.
Decline, 30 per cent. in six years.

HOW TO ORGANIZE A COOPERATIVE CREAMERY

When the farmers of a community decide to take steps toward organizing a Cooperative Creamery or Cheese Factory, it is advisable for them to call for assistance from the State Experiment Station.

A man familiar with the work can give valuable advice and information in the way of organizing, locating, building and equipping the factory.

FIRST MEETING

A temporary chairman and secretary should be elected: The advisability of starting a creamery or cheese factory and the location of same should be discussed: The value of each share should be decided upon.

If it be deemed advisable to form an association, a committee should be elected to canvass the surrounding territory to ascertain if there are a sufficient number of stockholders and cows to warrant organizing an association.

ORGANIZATION AGREEMENT

(To be used at First Meeting)

We, the undersigned citizens of .....County, State of ..... do hereby agree to form ourselves into an association for the purpose of ....., and to take the number of shares of stock, at the rate of ..... dollars each, and furnish the milk or cream from the number of cows set opposite our names.

Provided, however, that if ..... cows and ..... stockholders are not secured before ....., 19.., this agreement shall be null and void.

. . . . . .

NAMES SHARES COWS

. . . . . .

(Heading of Blank for Signatures.)

ARTICLES OF INCORPORATION OF . . . . . CREAMERY

We, the undersigned persons, hereby become associated for the purpose of organizing a cooperative association under and pursuant to the laws of the State of . . . . . for buying, selling, manufacturing and dealing in milk, cream, ice cream, butter and cheese and generally conducting a creamery business, with power and authority to do and perform all acts and things usually requisite and necessary in carrying on such business, and have organized by adopting and signing the following articles of incorporation.

ARTICLE I

The Name of This Cooperative Association shall be . . . . . The nature of its business shall be buying, selling, manufacturing and dealing in milk, cream, ice cream, cheese and butter, and handling, managing, owning, operating and controlling a creamery or creameries in the usual course of such business, and to do and perform all acts and things usual, requisite and necessary on the premises, and the principal place where the business of said cooperative association shall be transacted is in the . . . . . , in the County of . . . . . and State of . . . . . It shall have all of the power of a body politic, to sue and be sued, own real and personal property and exercise such power as its business demands.

ARTICLE II

The Time of Commencement of said Cooperative Association shall be the . . . . . day

of ....., 19.., and the Period of its Continuancy shall be twenty years.

ARTICLE III

The Amount of Capital Stock of Said Cooperative Association shall be ..... dollars, and shall be divided into ..... shares of ..... dollars each, and shall be paid at such a time and in such manner as the By-Laws of this Association shall direct.

ARTICLE IV

The Highest Amount of Indebtedness or Liability which said Cooperative Association shall at any time contract shall not exceed ..... dollars.

ARTICLE V

The name and residences of the persons forming this Cooperative Association are as follows, to wit:

.....

ARTICLE VI

The Government of this Cooperative Association and the management of its affairs shall be vested in three or five directors, and the following officers to wit:

A President, Vice-President, Secretary and Treasurer, and such Directors and officers shall be elected by ballot at the annual meeting of the stockholders, which shall be held on the last Tuesday in January of each year.

ARTICLE VII

The names of the Board of Directors of this Cooperative Association are as follows: President, ...; Vice-President, ...; Secretary, ...; Treasurer, ...; Directors .....

ARTICLE VIII

The aforesaid Board of Directors shall hold their

respective offices until their successors are elected and qualified.

ARTICLE IX

This Cooperative Association may be dissolved at any regular or special meeting of the stockholders, provided that two-thirds of such stockholders vote for the dissolution, and each stockholder shall have but one vote in person.

ARTICLE X

This certificate of incorporation may be amended at any general meeting of the stockholders or at any special meeting called for that purpose upon ten days' notice to the stockholders.

IN TESTIMONY WHEREOF we, the said Incorporators, have hereunto set our hands and seals this ..... day of ....., A. D. 19..

IN THE PRESENCE OF.....

State of.....

County of.....

ss.:

BE IT REMEMBERED THAT ON THIS ..... day of ....., A. D. 19.., before me a notary public within and for said County, personally appeared ..... to me known to be the persons described in the above and foregoing instrument and whose names are subscribed hereto and severally acknowledged that they executed the same freely and voluntarily for the uses and purposes therein expressed.

.....Notary Public.

BY-LAWS

1. The president shall preside at all meetings of the Association. He shall have power to call special meetings of the Association whenever, in his judgment, the business of the Association shall require it.

He shall also, upon a written request of ten stockholders or three members of the board of directors, call a special meeting.

2. The Vice-President shall perform the duties of the President when the latter is absent or unable to perform the duties of his office.

3. The Secretary shall keep a record of all the meetings of the Association and make and sign all orders upon the Treasurer and pay over to the Treasurer all money which comes into his possession, taking the Treasurer's receipt therefor. The Secretary shall make a report to the Association at its annual meeting, setting forth in detail the gross amount of milk and cream receipts and the net amount of receipts from products sold and all other receipts, the amount paid out for running expenses, the sums paid out for milk and cream, and all other matters pertaining to the business of the Association. A like statement shall be made each month and posted conspicuously in the creamery building at the time of the division of the previous month's receipts aforesaid. The Secretary shall give bonds in the sum of . . . . . dollars, same to be approved by the Board of Directors.

4. The Treasurer shall receive and receipt for all moneys belonging to the Association, and pay out the same only upon orders signed by the Secretary. The Treasurer shall give bond in the sum of . . . . . dollars, same to be approved by the board of directors.

5. The board of directors shall hold at least one meeting every three months for the purpose of ascertaining the true condition of the affairs of the Association. At the meeting of the board of directors, no other persons shall have the right to vote but the directors, unless in case of a tie, when the President shall be authorized to cast the deciding vote.

6. A sinking fund shall be provided by taking from each pound of butterfat or each hundred pounds of milk delivered, such amount as the stockholders may vote at their annual meeting, such sinking fund to be used only for paying insurance and taxes, buying new machinery, and for erecting new buildings or improvement of buildings; also for advancing money on supplies, and for paying interest and dividend on stock, if any are paid. Provided, however, that such sinking fund may be entirely discontinued for a time if the board of directors shall decide this to be for the best interest of the Association.

7. Each stockholder shall furnish all the milk and cream from the cows he has, all milk and cream to be sound, fresh and unadulterated, and patrons of the Association not stockholders may furnish such amounts of milk or cream as they have. The Association shall receive and sell such milk or cream, manufacture the same into butter, cheese or ice cream, and receive all money from the products, and from money so received deduct such a percentage thereof as shall have been agreed upon by the Association, in the by-laws or otherwise, and deduct the running expenses of the creamery, the remainder thereof to be distributed among the stockholders and patrons proportionately to the amount of whole milk or fat furnished by each.

8. All milk or cream shall be delivered at the creamery or cheese factory during the forenoon and at least three times a week; the same to be sweet and in good condition, and if any be found otherwise, the operator shall reject same. The operator shall preserve a sample of each delivery of each patron's milk or cream, testing same at proper intervals.

9. Any person sending to the factory any impure

or unhealthy milk or cream, or any milk drawn from cows within fifteen days before or five days after giving birth to a calf, shall upon conviction thereof be subject to a fine of five dollars for the first offense, for the second offense ten dollars and for the third offense he or she shall forfeit his stock and membership.

10. Salaries of all officers of this Association shall be fixed by the stockholders.

11. The board of directors shall have full authority to employ the butter or cheese makers, and all other help needed for the operation of the factory.

12. Whenever, from any cause, a vacancy occurs in any of the offices of the Association, the board of directors shall fill by appointment any such vacancy, and the person so appointed shall hold the office until the next annual meeting of the Association and he shall have the same power and be subject to the same duties and liabilities as the officer regularly appointed.

13. All shares shall be paid for in cash or by bankable note. When a note is given to the Association for stock, it may be paid by a certain percentage deducted from each pound of butterfat or each hundred pounds of milk delivered by the stockholder. Provided, however, that no certificate shall be issued nor any interest paid on any share of stock until it is fully paid.

Be it further provided that all stock may be retired as fast as money accrued from the sinking fund will allow. All stockholders shall receive six (6) per cent. interest on their stock until it is retired by the Association.

14. Notice of any meeting of the stockholders of the Association shall be posted at the factory by the Secretary at least ten days before such meeting. Three

days' notice, posted in the same manner, shall be given before any meeting of the board of directors.

Any stockholder or patron shall have the privilege to appear before the board at any of their regular meetings to present any grievance or any other matter.

15. Two-thirds of the stockholders shall constitute a quorum at any meeting of the Association. A majority of the board shall constitute a quorum at any board meeting.

16. If any competitor raises the price of butterfat above its market value, any stockholder shall have the right to sell his milk or cream to such competitor, provided that the cream is first weighed and tested at the factory, and one cent per pound of butterfat is paid to the Association for maintaining the creamery. Violation of this section shall render the offender liable to the amount of one per cent. of his sales to the competitor against his stock in this company.

17. These by-laws may be amended or changed at any annual meeting of this Association by a two-third majority of the stockholders present and voting thereon. They may also be changed by a two-third majority of the stockholders present at any special meeting of the Association called for such purpose. A notice of such meeting, however, shall be mailed to each stockholder at his last known address at least ten days before such meeting.

BY-LAWS FOR AN EGG-SHIPPING ASSOCIATION

Sec. 1. This local association, the Cooperative Poultry and Egg Selling Association, belongs to the General Cooperative Poultry and Egg Selling Association, and is subject to the laws of the general Association, which are now in force, or which in the future should be passed for the regulation of each Association.

Sec. 2. Application for membership must be made to the directors and on their approval are admitted to membership upon the payment of $1.00, which is to be used for the general expenses.

Sec. 3. Members must deliver their eggs to the individual appointed to receive them once each week during the fall and winter months, and twice each week during the summer months.

Sec. 4. After the hatching season is over, each member must take away the male bird from the flock and produce infertile eggs. No eggs delivered in winter shall exceed seven days in age and in the summer shall not be more than four days old. Any member delivering a stale egg is punishable by a fine of $1.00, to be collected by the Directors. This money is to be used for equipment. Repeated offense will make the member subject to dismissal.

Sec. 5. The eggs must be collected from the nests every day. Eggs found in nests that have been found and eggs of unknown age must not be delivered to the Association for sale. Artificial eggs must be

used for nest eggs and no eggs must be offered for sale through the association that a hen has covered for one night.

Sec. 6. Dirty eggs, eggs below the average in size, or abnormal in shape must not be delivered, and the eggs must be kept in a warm room in winter and in a cool dry room in summer, and in delivery must be protected from the direct rays of the sun.

Sec. 7. Unless by special permission the members shall not purchase eggs for delivery to the Association.

Sec. 8. Each member must have a number which is stamped on the top end of each egg. Each member receives on the payment of dues a stamp and pad, and thirty one-dozen cartons containing the name of the Association on the cover. Eggs are always to be brought in those cartons and in boxes made according to specifications which will be given by the Association.

Sec. 9. The receiver of the eggs must notify the member of the eggs brought by him not suitable for shipment and save them for him until the next visit.

Sec. 10. All collections must be made by the receiver who is to be allowed one and one-half per cent., or not to exceed this amount for handling the eggs. A triplicate pad with blanks running in consecutive numbers must be kept by the collector, one sheet must be given in to the customer, one to the bank where the deposits are kept, and the tissue paper sheet in this book must be kept by the collector for his own files.

Sec. 11. Notice of the withdrawal must be given to the Directors thirty days in advance and no member who withdraws shall have any share in the profits or equipment, if the withdrawal takes place before the end of the contract.

Sec. 12. The Board of Directors is composed of three members elected by the Association—the chairman, the secretary and the treasurer. At least two of the directors shall be ladies. It is the duty of the Board to see that all regulations are complied with, find markets, and audit the books.

Sec. 13. If for any reason the Association should be dissolved, the surplus that may have occurred and all money derived from the sale of equipment shall be divided among all members in good standing.

Sec. 14. The amount of the reserve fund is to be determined by the Board of Directors.

Sec. 15. These rules may be changed by a majority vote of the members, provided the change does not conflict with the local association's relation to the general association.

ANOTHER GENERAL TYPE OF ORGANIZATION

CONSTITUTION

Article 1

Sec. 1. The Cooperative Company shall be composed of its officers, committee and stockholders, viz.: President, Vice-President, Secretary-Treasurer, Executive Committee of five, and stockholders of the Company.

Article 2

Sec. 1. There shall be elected at each annual meeting of the stockholders of this company a President, Vice-President, Secretary-Treasurer, and an Executive Committee of five.

Sec. 2. The President shall preside over all meetings, and in case of his absence the Vice-President shall preside; but in the absence of both, the members present shall elect a temporary President who shall have all the powers of the President.

Sec. 3. The Executive Committee shall have general management of the Corporate business. It shall elect a manager, prescribe his duties and fix compensation. It shall require suitable bonds for the Secretary-Treasurer and the Manager and approve the same. It shall audit the books of the Secretary-Treasurer and the Manager as often as deemed advisable and report their findings to the stockholders, with an itemized statement of all receipts and disbursements since last annual or called meeting. It

shall have power to remove from position any officer or employee for dishonesty, incompetence, or immoral conduct, and fill vacancies caused by death, resignation, or removal.

BY-LAWS

Sec. 1. The capital stock shall be $. . . ., divided into shares of $. . . . each; no member shall hold more than . . . . shares. Each shareholder is entitled to one vote.

Sec. 2. The shareholders at each annual meeting shall elect officers for the ensuing year; said meeting shall be held of each year at such place as the Executive Committee may select. All officers shall be elected by ballot. Any shareholder may vote by proxy, provided a written statement to that effect be filed with the Secretary of the meeting, stating whom he has selected to cast his vote.

Sec. 3. Six days' notice shall be given in writing by the President before any called meeting.

Sec. 4. Any officer or member of the Executive Committee shall be subject to recall at any time by a majority vote of all shareholders of the company.

Sec. 5. A special meeting may be called at any time by the President, on proper notice, and shall be called on request of a majority of the Executive Committee or of five per cent. of the shareholders.

Sec. 6. The Executive Committee shall have power to set aside, out of any money belonging to the Company, as an emergency fund, a sum not to exceed ten per cent. of the capital stock.

Sec. 7. The compensation of all officers shall be fixed by the stockholders at the regular annual meetings.

Sec. 8. All net earnings of the company, except the emergency fund, shall, on or immediately after

the regular annual meeting, be paid to the shareholders in proportion to shares held by each, until the original amount of shares shall have been refunded; after which each shareholder shall receive not to exceed six per cent. on his share; the remainder of the net earnings shall be paid to those who contribute to the company by patronage, to each in proportion to his patronage—provided this payment be made only to members of the Cooperative Company.

Sec. 9. There shall be no preferred stock in this company. All stock shall be common.

Sec. 10. These By-Laws and the Constitution may be changed, amended or altered, at any time, by a two-thirds vote of all the shareholders at any regular or called meeting, said change not to conflict with the articles of incorporation.

To get new members into a cooperative company a good way is to pay net profits to outsiders just as is paid to members, but pay it in credits on stock till enough is credited to amount to one share. Thereafter such share is on equal footing with all other shares. At the close of the season you will audit the books and determine the status of the company after a season's business. Take a balance and determine net profits. If there are none, then there is nothing to do but call it even and start anew. If a deficit, the next move is to curtail expenses, increase business, secure more efficient management, or quit business. But, if there is a profit over actual running expenses, the first thing is to pay the prescribed interest on the capital invested. After this, if there is still a "leaving," provide for deterioration. Then, if there is a net profit, it is to be distributed among the patrons according to the money value of the business furnished by each, if he is a member of the

association; if he is not a member give him the same refund, only he is paid in credits on a share of stock till it amounts to a share, and then he gets the overplus in cash the same as any other cash-paying member. If the plant is in debt the credits will be given to each stockholder in additional stock, and the money kept in the treasury to pay off the indebtedness. This capitalizes earnings till the physical indebtedness is liquidated. If all the stock is sold that is needed to be marketed, and new applications are made for shares, it is in the by-laws that those holding the greatest number of shares must sell their excess to the new applicants, provided the applicant is voted to be allowed membership. This could not be seriously objected to, as the cooperative company is not organized primarily to make money for stockholders but to efficiently distribute, purchase, or produce for its members at the least possible cost—and the more members the more successful the business.

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OPINIONS OF LEADING EDUCATORS, COLLEGES AND UNIVERSITIES

We have no separate department dealing with the problem of markets. This is a subject which is presented in the department of Rural Economy. Thus far the subject has been presented only as a part of the general course in Rural Economy, but next year a special course will be given on Marketing and Prices. This will be open to those students who have had our general course in Rural Economy. In other words, our students who take the course in Marketing and Prices will have had a general course in Rural Economy and previous to that a comprehensive course in General Economics.

(Signed) C. N. LAUMAN,
Department Rural Economy,
Cornell University.

We have had for some time a course in Agricultural Economics. During the last two years we have had a course in Research and Agricultural problems, and a two-hour course in Markets and Marketing. Under marketing we have differentiated manufactured and agricultural articles with respect to the problems of marketing, closing with a discussion of cooperative marketing.

(Signed) A. W. TAYLOR,
Department of Economic Science,
State College of Washington.

I think an up-to-date course in cooperative marketing in the high schools would accomplish excellent results, and it is our desire in the near future to include in the high school course in agriculture the important phases in the marketing of farm produce, including cooperative marketing.

(Signed) C. S. KNIGHT,
Prof. of Agronomy, University of Nevada,
Reno, Nevada.

Our course in farm management devotes some time to the subject of marketing. Also, in our course of agricultural economics, a portion of the time is taken up with cooperation in agriculture.

(Signed) HOMER C. PRICE,
Dean, Ohio State University,
Columbus, O.

It seems to me that in cooperative marketing, as well as packing and grading goods for the markets by a representative body representing a group of farmers, lies the chief success of farming in the future. I believe much can be done in way of extension work along this line, and also much can be done in way of teaching this same work in high schools, especially in what may be considered rural high schools.

(Signed) GEO. H. VON TUNGLEN,
Dept. Economics and Social Science,
Iowa State College, Ames, Iowa.

In June, 1913, the University of Louisiana undertook to facilitate the marketing of farm produce to the best advantage by employing an agent to travel over the state and organize shipping clubs. By this means small producers are enabled to pool their prod-

ucts and secure better transportation rates and facilities, as well as bett[illegible] markets. The University has also assisted, throu[illegible] its department of animal industry, in the organization of dairy associations, to enable the dairymen to secure better rates and more careful handling of the milk and cans in transit.

(Signed) WM. O. SCROGGS,
Department of Economics and Sociology,
University of Louisiana, Baton Rouge, La.

It seems to me that it might readily find a place in special vocational schools and special secondary schools. (Signed) J. H. SKINNER,
Dean, School of Agriculture,
Purdue University, Lafayette, Indiana.

We have a department of Agricultural Economics at the University of Wisconsin, in which the subject of Markets receives the entire time of one professor and some assistance. (Signed) H. C. TAYLOR,
Department of Agricultural Economics,
University of Wisconsin, Madison, Wisconsin.

I heartily approve of the idea of having cooperative marketing taught in the high schools; that is, if suitable teachers can be secured.

(Signed) CHAS. C. THATCH,
Pres. Alabama Polytechnic Institute,
Auburn, Alabama.

I believe that cooperative marketing, together with all the phases of the business side of farming, should have a prominent place in a High School. I believe that the only economic and effective solution of the rural problem is through the proper education of the

boys and girls, while it is their business to study and prepare for their life work. It seems to me a great mistake to pour millions of dollars into the education of the men, and only thousands for the education of the boys and girls along the same lines. I believe the order should be reversed.

(Signed) J. J. VERNON,
Dean, University of Florida,
Gainesville, Fla.

In this country the whole subject of cooperation is a very important one, including cooperative marketing, and I should advocate its teaching in connection with the agricultural courses, times and means permitting. (Signed) R. H. FORBES,
Director Experiment Station,
University of Arizona, Tucson, Arizona.

It should of course be a feature of the general course of instruction as applied to agriculture, live stock, or domestic science.

(Signed) ANDREW M. SOULE,
President University of Georgia,
Athens, Ga.

Cooperative marketing might be taught in high schools with advantage to both pupils and community. (Signed) J. E. KAMMEYER,
Prof. of Economics, State Agricultural College,
Manhattan, Kansas.

The Minnesota College of Agriculture has a division of Research in Agricultural Economics, which is studying marketing problems and organization among farmers, as well as other subjects dealing with

rural economics. The course in agricultural economics that I give is devoted largely to marketing and organization work. A seminar in marketing is also held for advanced students. I have already publicly advocated that the rudiments of cooperation and marketing be taught not only in the high school but in rural schools. I believe it would be a fine scheme.

(Signed) L. D. H. WELLS,
Chief of Division of Research in Agricultural Economics,
University of Minnesota, St. Paul, Minn.

I have no hesitation in saying that I feel sure the work of cooperation should be taught in high schools, and for the reason that our graduates are teaching in high schools, this course has been given every member of the graduating class.

(Signed) H. A. MORGAN,
Dean, University of Tennessee,
Knoxville, Tenn.

In agricultural high schools, or in an agricultural course in any high school, it would seem to me that cooperation might well be a part of the work.

(Signed) GUY C. SMITH,
Prof. of Economics, New Hampshire College,
Durham, N. H.

Should the schools have either a well-developed agricultural department, or a commercial and economic department, the subject might well receive attention in that connection.

(Signed) C. A. DUNNIWAY,
President University of Wyoming,
Lamaria, Wy.

I think the fundamental principles of cooperation should be as widely disseminated as possible, and believe the High School would be one effective medium. (Signed) H. C. FILLEY,
Asst. Prof. Farm Management,
University of Nebraska, Lincoln.

It seems to me that the whole question of cooperation, not only in marketing, but of buying and other neighborhood operations, should be taken up in connection with high school economics and high school agriculture. (Signed) L. H. HAWKINS,
Specialist in Agricultural Education,
University of New York, Albany, N. Y.

I believe it would be a most important step in advance to have cooperative marketing taught in the high school. (Signed) WM. R. CAMP,
Chief Marketing Division, N. C. Exp. Station,
West Raleigh, N. C.

I see no reason why some attention might not be given to cooperative marketing in a commercial course. As to whether the subject should be generally introduced or not would depend upon our theory as to the function of the High School. The fundamental principle of cooperative marketing might also properly be taught in connection with a class in economics.
(Signed) CHAS. F. WHEELOCK,
Asst. Comm. for Secondary Education,
University of New York, Albany, N. Y.

I firmly believe that this line of work should be taught in our schools. (Signed) M. J. ABBEY,
Prof. Agricultural Education,
West Va. University, Morgantown, W. Va.

I think we are one of the first, if not the first, college in the country to introduce courses in cooperation and marketing in our regular college curriculum. Our course in cooperation was introduced some years ago, and our course in markets more recently. We have a number of vocational agricultural high schools in Massachusetts, and some agricultural departments in ordinary high schools. We also have a very large number of corn and potato clubs. In all of these we think it is advantageous to teach and to practice the principles of cooperative marketing.

(Signed) DR. ALEXANDER E. CANCE,
Head Department of Agricultural Economics,
Agricultural College, Amhurst, Mass.

I believe that Cooperative Marketing and all other aspects of rural life should be taught in the high schools. We teach too much about the Agriculture of Vergil and too little about the country life of America in our schools.

(Signed) L. L. BERNARD,
Departments of History and Social Sciences,
University of Florida.

We offer a fairly complete course covering the whole field of Agricultural Economics, including and laying dominant stress upon the subjects of Markets and Rural Credits. Our college is attaching great importance to these, both from the standpoint of research and practical work.

(Signed) HECTOR MCPHERSON,
Departments of Political Economy and Rural Economics,
Oregon Agricultural College, Corvallis, Ore.

Lectures on Cooperation and Marketing are given to our secondary students in the School of Agriculture. We are in the formative period of this work. We shall soon have a separate department of Rural Economics.

I favor the teaching of Cooperative Marketing in the High Schools. If a separate course cannot be given it should be given an important place in the course in economics.

(Signed) A. S. HARDING,
Prof. Department of History and Political Science,
South Dakota State College.

SUPERINTENDENTS OF EDUCATION

I am sure that in connection with the Commercial Courses of our High Schools it would be very desirable to have taught the subject.

(Signed) PAYSON SMITH,
State Supt. Public Schools,
Augusta, Me.

It seems to me that it would be an excellent plan to have matters of this kind brought before the pupils in our high schools. It would be along the line of practical agriculture, and in Ohio we are giving especial attention to this branch of study. We are teaching it in city and county schools alike.

(Signed) FRANK W. MILLER,
Supt. Public Instruction,
Columbus, O.

I think this subject might well be discussed in the

department of Economics or some of the vocational courses in High Schools.

(Signed) P. E. McClenehan,
Inspector of Secondary Schools,
Des Moines, Iowa.

It occurs to me that every text book of agriculture that is used in our high schools, should have chapters dealing with this subject. Perhaps the subject is of enough importance to constitute a study in itself.

(Signed) D. M. Bowen,
Sec'y Board of Educational Administration,
Topeka, Kan.

We have a plan by which we hope to teach what we call "Farm Management" in some of our high schools, and part of that course, I take it, is to be along the lines of marketing the products of the farm.

(Signed) HAYWARD,
High School Inspector,
Grand Forks, N. D.

I see no reason why the subject should not be given in connection with a course in agriculture.

(Signed) R. L. WATTS,
Dean and Director,
State College, Pa.

I wish to say that I am in accord with the suggestion of teaching cooperative marketing in the high schools. (Signed) MASON S. STONE,
Supt. Education,
Montpelier, Vt.

I would think that it could be well taught in connection with agriculture and domestic science.

(Signed) R. B. TEITRICK,
Deputy Supt. Public Instruction,
Harrisburg, Pa.

I am of the opinion that this should be made a part of the course in Rural Economics which should be taught in every High School.

(Signed) MOSIAH HALL,
State Inspector of High Schools,
Salt Lake City, U.

It is my judgment that in rural schools with high

school grades the subject of cooperative marketing should be taught, as it is an important phase of rural economy.

A. B. MERIDITH,
Asst. Comm. of Education,
Trenton, N. J.

I believe teaching cooperative marketing would be a good thing. The great need of education at the present time is "to hitch up" the school with life. If teaching this subject accomplishes nothing else than interesting the student in the study of economic conditions, it would be worth while.

(Signed) GRACE M. SHEPHERD,
Supt. Public Instruction,
Boise, Idaho.

I am of the opinion that the subject of cooperative marketing could be taught with profit to groups of high school pupils. I think, however, that it more properly belongs in the vocational school curriculum and in extension work to farmers. After having had some experience in this field it may be that we shall extend it to others in the agricultural field. There would seem to be considerable of an opportunity.

(Signed) ROBERT O. SMALL,
Deputy Commissioner, Board of Education,
Boston, Mass.

I am of opinion that it would be well to have this subject taught in high schools. It seems to me it could be taught under the subjects of Economics or Sociology.

(Signed) WM. P. EVANS,
State Superintendent,
Jefferson City, Mo.

It seems to me that cooperative marketing would be a very proper subject for study in the high school, and especially in the high schools in farming communities. It could be included in the course in rural economics if such a course is maintained. It seems to me highly worth while to extend into this important field. (Signed) M. P. SHAWKEY,
State Superintendent,
Charleston, West Va.

The new emphasis that is being put upon the rural school as a community center it seems to me thoroughly justifies the teaching of cooperative buying and selling, and the inauguration of such study in our county high schools would be a decided step forward and meet a very urgent need.
(Signed) WM. F. FEAGIN,
State Superintendent,
Montgomery, Ala.

AMORTIZATION TABLE

Amount of Loan—$1,000.00 at 5% for Thirty Years

Semi-Annual Periods	Interest at 5%	Paid on Principal	Expenses and Profits	Total Semi-annual Payments	Amount of Principal Still Unpaid
1.	$25.00	$7.35	$2.65	$35.00	$992.65
2.	24.81	7.54	2.65	35.00	985.11
3.	24.63	7.72	2.65	35.00	977.39
4.	24.43	7.92	2.65	35.00	969.47
5.	24.23	8.12	2.65	35.00	961.35
6.	24.03	8.32	2.65	35.00	953.03
7.	23.83	8.52	2.65	35.00	944.51
8.	23.61	8.74	2.65	35.00	935.77
9.	23.39	8.96	2.65	35.00	926.81
10.	23.16	9.19	2.65	35.00	917.62
11.	22.94	9.41	2.65	35.00	908.21
12.	22.70	9.65	2.65	35.00	898.56
13.	22.46	9.89	2.65	35.00	888.67
14.	22.21	10.14	2.65	35.00	878.53
15.	21.96	10.39	2.65	35.00	868.14
16.	21.70	10.65	2.65	35.00	857.49
17.	21.43	10.92	2.65	35.00	846.57
18.	21.16	11.19	2.65	35.00	835.38
19.	20.88	11.47	2.65	35.00	823.91
20.	20.59	11.76	2.65	35.00	812.15
21.	20.30	12.05	2.65	35.00	800.10
22.	20.00	12.35	2.65	35.00	787.75
23.	19.69	12.66	2.65	35.00	775.09
24.	19.37	12.98	2.65	35.00	762.11
25.	19.05	13.30	2.65	35.00	748.81
26.	18.72	13.63	2.65	35.00	735.18
27.	18.37	13.98	2.65	35.00	721.20
28.	18.02	14.33	2.65	35.00	706.87
29.	17.67	14.68	2.65	35.00	692.19
30.	17.30	15.05	2.65	35.00	677.14
31.	16.92	15.43	2.65	35.00	661.71
32.	16.54	15.81	2.65	35.00	645.90
33.	16.14	16.21	2.65	35.00	629.69
34.	15.74	16.61	2.65	35.00	613.08
35.	15.32	17.03	2.65	35.00	596.05
36.	14.90	17.45	2.65	35.00	578.60
37.	14.46	17.89	2.65	35.00	560.71
38.	14.02	18.33	2.65	35.00	542.38
39.	13.55	18.80	2.65	35.00	523.58
40.	13.09	19.26	2.65	35.00	504.32
41.	12.60	19.75	2.65	35.00	484.57
42.	12.11	20.24	2.65	35.00	464.33
43.	11.60	20.75	2.65	35.00	443.58
44.	11.09	21.26	2.65	35.00	422.32
45.	10.56	21.79	2.65	35.00	400.53
46.	10.01	22.34	2.65	35.00	378.19
47.	9.46	22.89	2.65	35.00	355.30
48.	8.88	23.47	2.65	35.00	331.83
49.	8.30	24.05	2.65	35.00	307.78
50.	7.69	24.66	2.65	35.00	283.12
51.	7.08	25.27	2.65	35.00	257.85
52.	6.45	25.90	2.65	35.00	231.95
53.	5.80	26.55	2.65	35.00	205.40
54.	5.14	27.21	2.65	35.00	178.19
55.	4.45	27.90	2.65	35.00	150.29
56.	3.76	28.59	2.65	35.00	121.70
57.	3.04	29.31	2.65	35.00	92.39
58.	2.31	30.04	2.65	35.00	62.35
59.	1.56	30.79	2.65	35.00	31.56
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